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Developing a Supplier Sustainability Program in ICT Industry

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<p>Whether corporations have social responsibilities on top of economic responsibilities is a hot and debated topic. However, it is a less-debated fact that our globe needs more sustainable business ecosystems and less short-term profit maximization. Hence many corporations, the Case Company of the presented study included, are committed to building more sustainable future for themselves and for the entire society.</p> <p>The Case Company is a Nordic based ICT-company with globally spread operations and supply base. The target of this thesis was to create a systematic means to mitigate Corporate Social Responsibility risks in the supply chains with a program implemented with due diligence for the suppliers of the Case Company.</p> <p>The Supplier Sustainability Program was developed using Action Research methodology, pilot-tested and implemented. During the development the Six Sigma tools were utilized to gain systematic and quantitative information from qualitative research material. The material was collected with benchmark, interviews and in workshops. As an output from the thesis there is an implemented Supplier Sustainability Program together with findings and learnings from the project. Research was started in August 2014 and was finished in April 2016.</p>	
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Tekijä(t) Otsikko	Martta Laitinen Yritysvastuuohjelman kehittäminen IT-alan toimitusketjussa
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<p>Ympäri maailmaa käydään kiivasta keskustelua siitä, onko yrityksillä taloudellisen hyödyn tuottamisen lisäksi muita vastuita kuten ympäristö- ja yhteiskuntavastuuta. Useimmat lie- nevät kuitenkin samaa mieltä siitä, että maapallomme tarvitsee enemmän kestäviä ja vas- tuullisia liike-elämän ekosysteemejä ja vähemmän lyhyen aikavälin voittojen maksimointia. Monet yritykset, case-yritys mukaan lukien, ovatkin päättäneet luoda kestävämmän ja vas- tuullisemman tulevaisuuden koko yhteiskunnalle.</p> <p>Case-yritys on suuri IT-alalla toimiva pohjoismainen yritys, jolla on toimintaa ympäri maail- maa, ja näin ollen myös yrityksen toimittajakanta on maantieteellisesti laajalle levittäytynyt. Opinnäytetyön tavoite on luoda Case-yritykselle yritysvastuuohjelma, joka systemaattisesti vähentää yritysvastuuriskejä toimitusketjuissa.</p> <p>Yritysvastuuohjelma luotiin toimintatutkimuksena, testattiin pienellä toimittajajoukolla ja jal- kautettiin toimitusketjuihin. Tutkimusmateriaalia kerättiin benchmark-kartoituksella, haas- tatteluilla ja työpajoissa. Ohjelman kehittämisessä käytettiin Six Sigma -työkaluja, joiden avulla laadullinen tutkimusmateriaali saatiin muutettua määrälliseen muotoon. Tutkimuk- sen perusteella voidaan sanoa, että valtaosa kuluttajista haluaa yritysten toimivan vastuul- lisesti ja, että vastuullisten toimitusketjujen avulla yrityksillä on edellytykset saavuttaa myös taloudellista hyötyä. Tutkimus aloitettiin elokuussa 2014, ja se valmistui huhtikuussa 2016.</p>	
Avainsanat	Yritysvastuu, vastuullisuus, vastuullisuus toimitusketjuissa, toimi- tusketjujen riskien hallinta, Toimintatutkimus, Six Sigma

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1 Introduction

This thesis aims at developing a Supplier Sustainability Program to a Case Company operating in ICT industry. The program focuses on evaluating suppliers' ethical behaviour in relations with human rights, labour conditions, environment, anti-corruption and fair business practices. The Program will be developed with an Action Research methodology and Design for Six Sigma framework.

The subject of this thesis is highly important in today's global business world. Companies are increasingly made accountable for their internal actions and their suppliers' behaviour by various audiences (internal such as employees and external such as investors, customers and media). As Bai Ki-Moon states in the Global Corporate Sustainability Report 2013, there are numerous and connected crisis (such as 1.2 billion people living in extreme poverty and one-third of the population are living in countries facing water stress) that threaten progress, peace and stability. Decades ago these were national issues set largely on Governments, however today there are thousands of companies and civil organizations tackling the world's most pressing challenges. (Maignan et al 2002; 641, United Nations Global Compact 2013; 4.)

From a global perspective the subject of this thesis is very actual as today the world is more interconnected and more globalized than ever. Globalization has changed the supply chains into highly complex networks and corporations lack visibility of these networks. Furthermore according to Moon and Vogel's analysis (2008: 309-310) of the economic globalization, there is "a structural imbalance between the size and power of global firms and markets, and the capacity, willingness, and ability of governments to regulate them". Non-governmental organization together with consumers, institutional investors and companies have stepped into the current regulatory vacuum and created new mechanisms of global business regulations. While these social movements cannot replace the role of governments, they can increase awareness and hence put pressure to corporations of different sizes to be more sustainable. (Newell 2001; 105, Lipschultz et al 2006; 44-46.)

From the European perspective the topic of this thesis is perhaps seen as continuum to the intense discussion of sustainability and globalization that started during the 1990's

economic downturn. At that time multinational corporations around Europe advised governments to reduce the social benefits, the employer's social contributions and the strict rules protecting employment. However since the 90's downturn, the European Union has released a set of rules, regulations and initiatives to boost the economic growth in a sustainable manner. With the help of European institutions, the European Commission, national governments and non-profit organizations, Europe is now seen as forefront of promoting and implementing sustainability. I wonder how the current economic downturn will affect Europe. (European Commission 2011; 11-16. Perrini et al; 14-15.)

From the Nordic perspective the topic of this thesis is very relevant and contradictory at the same time. The contradiction was well introduced in the Deloitte's study of human rights in the Nordic corporations. According to the study, many of the respondents from 26 large Nordic companies pointed out the so called Nordic Legacy that 'we are used to doing things correctly in the Nordic countries' (even without pressure from stakeholder groups). This however has led into two quite opposite approaches; first approach being the quick and diligent adoption of human rights, and the second approach uses the Nordic Legacy as a reason for unsystematic management of human rights in the supply chains. The Deloitte report does not give more detailed description of the reasons for lacking supply chain management, one can only guess whether it is due to lack of stakeholder pressure, a relatively blue-eyed picture of the world or something else. (Deloitte 2015)

Sustainability in the ICT industry is currently an extremely hot topic. Often the discussion is about the environmental or social aspects and especially the energy usage, material usage (such as chemicals and conflict minerals) and working conditions outside Europe. The ICT industry uses a huge amount of electricity and often the new innovations just keep adding up the usage of the electricity. The ICT industry can however also have remarkable positive impact on sustainability. According to Global e-Sustainability Initiative (GeSi) SMARTer2020 report ICT-enabled solutions have the potential to reduce greenhouse gas (GHG) emissions by 16.5%, create 29.5 million jobs and generate USD1.9 trillion savings. Despite of the negatives, the ICT industry has a huge potential to impact positively on sustainability and build business at the same time. (Global e-Sustainability Initiative 2015; 9.)

The supplier sustainability program aims at securing the supply chain sustainability of the Case Company. According to United Nations Global Compact Supply Chain Sustainability guide “the supply chain sustainability is the management of environmental, social and economic impacts, and the encouragement of good governance practices, throughout the lifecycles of goods and services”. And “the objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing product and services in to market”. (UNGC 2010; 5.)

Main themes (see figure 1) of the thesis are largely based on United Nations Global Compact principles due to the fact that these principles related to human rights, labour conditions, environment, anticorruption and fair business practices are the backbone of the Corporate Social Responsibilities of the Case Company. Economic, legal and ethical responsibilities are mentioned as one of the themes since they describe very shortly the eccentrics of the Corporate Social Responsibility. Last two main themes are strategic and global perspective. Global perspective highlights the fact that the developed program needs to be useful in all countries the Case Company operates in. And the strategic as one of the main themes indicates the importance of the future Supplier Sustainability Program.

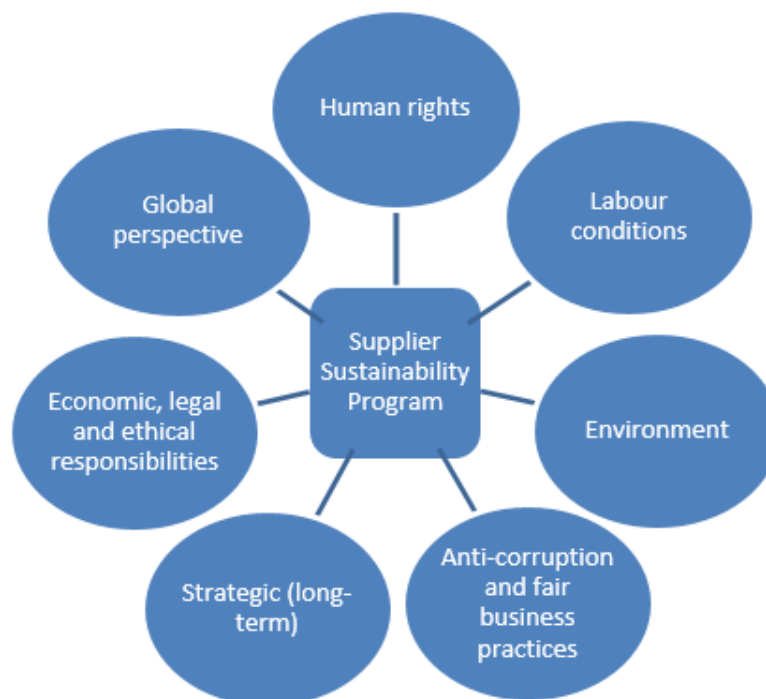


Figure 1 - Main themes of the thesis

The structure of the thesis is described in the figure 2. The first chapter introduces the reader to the Case Company and describes the current state in the Case Company. The second chapter defines the target and the scope of the thesis, and also introduces the used methodology to the reader. The third chapter dives deep into the theory of Corporate Social Responsibility. In the fourth chapter the actual development of the Supplier Sustainability Program is described. The final chapter gives conclusions on the lessons learned along the way.



Figure 2 - The structure of the thesis

1.1 Case Company

The Case Company is a large ICT service company providing services for different sectors (both private and public sectors), industries and needs (from consulting to system integration and from digitalization to cloud services). The company is a publically traded company in the Nasdaq Helsinki and Stockholm exchanges. The company has its headquarters in the Nordic Europe region where the main customers also locate. In addition, the Case Company has global product development business and the service centres.

The structure of the Case Company is a matrix organization which provides simplified interphase for its customers and focuses on industry experience. The matrix consists of selected industry groups and service lines in selected country organization. Product development services operate outside of the matrix as a separate global service line.

The Case Company supports sustainability in all of its operations worldwide to meet the ethical, legal and economic requirements set by the society. The Case Company has implemented a Code of Conduct to guide employees in their day-to-day decision making. The Procurement organization of the Case Company has also implemented a Supplier Code of Conduct to the suppliers. The fundamental idea behind the Supplier Code of Conduct is to roll the company's ethical ideology and set of values throughout supply chains and simultaneously encourage discussion and increase awareness of sustainability.

1.1.1 Procurement organization

The Case Company procures a variety of goods and services. The majority of the purchases are customer project related services. Other significant procured goods and services consist of facility, travel, hardware and software related purchases. The procurement organization of the Case Company aims at contributing on the company result in various ways (for example by identifying savings potential, acting as internal consultant in order to ensure the total cost awareness internally and by capturing the best possible terms and conditions available).

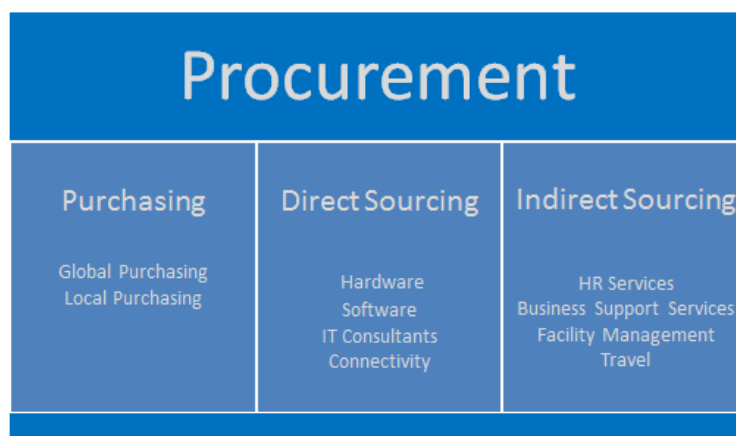


Figure 3. Procurement organization in the Case Company.

The Procurement department of the company (see figure 3) consists of Purchasing, Direct Sourcing and Indirect Sourcing teams. In addition, there is a single person working as an Analyst and supporting the Purchasing and Sourcing teams. An important part of the Analysts' responsibility is to analyse the spend data for the usage of business functions within the company.

The Purchasing team at the Case Company handles the operative buying of goods and services. The Purchasing team has a centralized team in Czech Republic and local buyers in each country where the Case Company operates in.

In an IT company the division between the direct and indirect categories is somewhat different than in many other industries. For example a sourcing of laptops is very often part of indirect sourcing, whereas in IT industry it is part of direct sourcing. This is because in IT industry the laptops are vital part of the customer delivery whereas in many other industries laptops are seen more of customer delivery supportive necessity. In addition to hardware there are categories such as software and IT consultants (sub-contractors) as in the direct sourcing categories at the Case Company. Direct Sourcing has been a centralized function in the Case Company for more than 10 years.

Under the Direct Sourcing there is also the Alliance Management function. This function is in close cooperation with a handful of alliance partners seeking opportunities to common sales cases, innovation and so forth. The Alliance Management has been recently moved under Direct Sourcing to find even more efficient ways to serve common internal customers.

The Indirect Sourcing team handles categories such as Human Resources Services, Facility Services, Marketing, Travel and Business Support Services. Indirect Sourcing has been a centralized function since 2009 and the writer of this thesis has been a part of this team as a Sourcing Manager since the beginning.

The clear focus of the sourcing teams has been in the strategic sourcing but recently the Case Company has also nominated resources to tactical sourcing tasks. Currently these resources work under the supervision of the Indirect Sourcing team but however serve both the sourcing teams.

1.1.2 CSR and strategies in the Case Company

The overall corporation wide strategy of the Case Company highlights that the knowledge within the company allows and obligates the Case Company to be a part of running and creating a better society for the future. The Case Company publically states that it is committed to develop enterprises and society through information technology. The Procurement and CSR strategies of the Case Company have been derived from the corporation wide strategy.

The CSR strategy of the Case Company has been built upon the company strategy with the help of stakeholders groups that contributed on a CSR materiality analysis. Certain high-priority areas (such as business ethics, procurement and supply chain, customer experience and sustainable ICT) were identified and the CSR strategy and milestones were built to enhance these areas especially.

The CSR department is integrated into the operations, services and ICT solutions in the Case Company. This is achieved by a core group supporting the named aspect owners around the Case Company. Aspect owners are responsible of the CSR within their organizations and in their own line of work.

As mentioned previously, the strategy of the Procurement had been derived from the company wide strategy. Procurement has identified focus points (such as EBIT contribution, implementation of Procurement governance and practices and being a sustainable, proactive and structured business partner). Procurement roadmap and KPI's (Key Performance Indicators) are aligning the operational work with the identified focus points.

According to Kari Iloranta and Hanna Pajunen-Muhonen (2012, 21-22), the portion of external resources (goods, services, materials) represents 50-80 per cent of the total costs of a company in different industries. When indirect and investment related purchases are taken into account this portion increases even further. Also in the Case Company the external resources are from a cost perspective, a significant part of business. Managing external resources and directing them into sustainable ways of working is essential in order for the Case Company to make a difference towards a better society for the future.

1.2 Target, scope, limitations and methodology of the thesis

The target of this thesis is to fulfil the public target by implementing a Corporate Social Responsibility due diligence program for the suppliers of the Case Company (herein after known as the Supplier Sustainability Program) and in this way achieve a systematic means to mitigate Corporate Social Responsibility risks in the supply chains.

The Case Company has identified that managing the social, environmental and economic impacts of supply chains, is not only the right thing to do but it also makes good business sense. The Supplier Sustainability Program will not only fulfil the public target but it will also support the Procurement department in further implementing a sustainability ideology throughout the supply chains and manage the risks involved. The target can be fulfilled only with a program that identifies relevant risks and reduces the likelihood of incidents.

The deliverables of the project are:

- Listing the current supplier base compliant with the Supplier Code of Conduct and a proposal for the supplier definition in this respect
- Describing the governance model and stakeholders of the supplier sustainability program to manage and administrate the CSR aspects of the supply chain
- Define ownership as well as roles and responsibilities of the functions involved.

The main research problem can be stated as follows:

The means to evaluate Corporate Social Responsibility in the supply chain are missing.

The research questions which help to address the research problem are as follows:

- 1) What kind of Supplier Sustainability Program is generally considered as a good one?
- 2) What kind of Supplier Sustainability Program would be the most suitable for the Case Company?

The long-term target of the Case Company is that the Supplier Sustainability Program will become a continuous part of the tasks of the Procurement function in the Case Company. This thesis, however, will be a project and it will end after the Program has been planned, piloted and implemented.

Hence the project scope is to explore the current state and plan, pilot & implement needed steps to cover the gap between the current situation and targeted level. The targeted level is to have a systematic means to mitigate CSR risks in the supply chain with an implemented Corporate Social Responsibility due diligence program for the suppliers of the Case Company.

The Supplier Sustainability Program will only focus on Corporate Social Responsibility aspects of supplier evaluations (in relations with human rights, labour conditions, environment, anti-corruption and fair business practices. The Case Company has a Supplier Relationship Management Program that will tackle other evaluation aspects such as the supplier quality aspect.

Communication and training plan for the Supplier Code of Conduct (part of CR function operating planning and Compliance Program) are excluded from the scope.

The research will have also industry limitations. This thesis will concentrate on reviewing literature and benchmarking good Supplier Sustainability Programs mainly in relevant service industries and in the non-manufacturing areas of ICT industry.

1.2.1 Methodology

This thesis is carried out as an action research. Action research aims at improving the current practices and the ways of working. Action research is a participatory and democratic process in from which practical knowledge is obtained. This means that action research broadly involves the team or members of an organization / the community where the researcher is aiming to improve something. (Greenwood & Levin, 1998, 4.)

Action research can be also defined as an emergent inquiry process in which behavioural science is integrated into existing organizational know-how and applied organizational problem solving. The collaborative and democratic relationship between the members participating in the study to achieve the best output is one characteristic that differentiates action research from other methods. Another different characteristic is that action research occurs in action. Therefore while the research is being performed, the researcher simultaneously solves problems. (Coghlan, D. et al. 2009, 4.)

Action research is also a social research aiming to improve certain situation. The social aspect of the action research means that the researcher will have a critical view of conventional academic practices and organizations that studying social problems without trying to resolve these problems. (Greenwood & Levin, 1998, 4.)

Action Research as a term was coined in 1944 by Kurt Lewin, a professor at Cornell University and later at Massachusetts Institute of Technology. He described action research in his paper “Action Research and Minority Problems” in 1946 as a process that uses a spiral of steps, where each step is composed of a circle of planning, action and fact-finding about the result of the action. Figure 4 shows the slightly updated action research circle. There the knowledge formation phases are the steps of action research project. (Heikkinen & al. 2006, 197-200.)

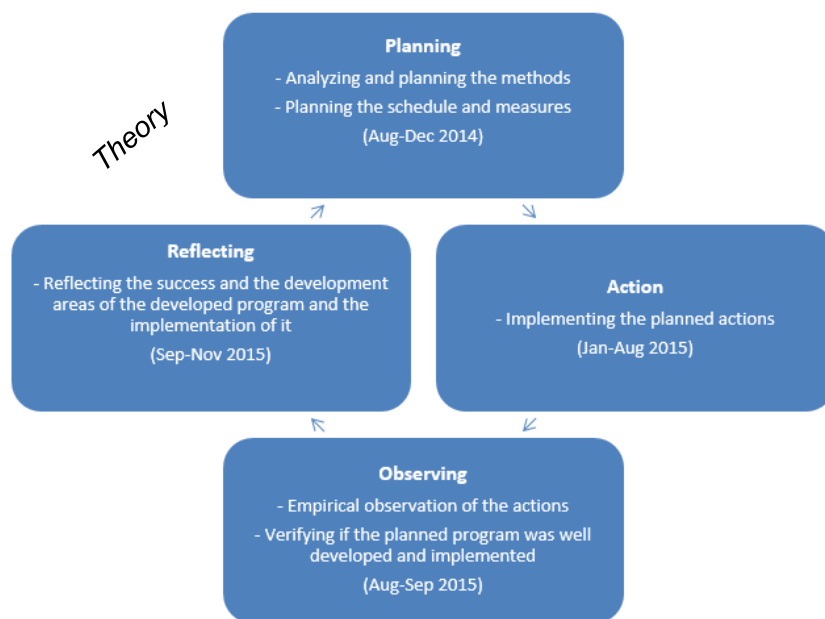


Figure 4 - The cycle of an action research (Heikkinen & al. 2006, 197-200, Coghlan, D. et al. 2009, 8).

I have decided to utilize workshops to provide both qualitative and quantitative information. Well prepared workshops suits well to the Action Research method because they involve the team or members and allow the author of this thesis to also participate. One workshop consists of the facilitator and 2-6 participants. The facilitator plans, prepares, schedules and handles the administration of the workshops. The participants

are internal specialists in their own line of work and mostly stakeholders of this development project. By stakeholder I mean that they are either influenced by or influencing the Supplier Sustainability Program.

During the development project there were several workshops held. The first workshop was held at the very beginning of the project and there the targets of the Program were set. This workshop was somewhat different than the following workshops since there was one facilitator, six directors (the Corporate Social Responsibility steering group of the Case Company) and one secretary. The following seven workshops were held with Procurement department, CSR department and sales representatives who felt that they wanted to contribute on the development of Supplier Sustainability Program.

The first four of these seven workshops were identifying the need that there are related to the Supplier Sustainability Program and were held with four Procurement, two CSR department and 2 sales department representatives. The remaining three workshops were identifying the possible process steps and were held with four Procurement and two CSR department people. The Procurement participant were different in each time (total 8 persons). Unfortunately there were only three participants from CSR and two from sales.

One workshop took about 30 minutes and included both individual work and group work. The need identifying workshops included introduction to CSR and Supplier Sustainability Program (5 minutes), individual list of needs (5 minutes), combining and discussing the lists (10 minutes), weighting the combined list (5 minutes) and summarizing the results (5 minutes). The process step identifying workshops were similar except that the combination took more time and there was no need to weight the steps since all possible steps were needed in the Quality Deployment Function (QFD) that followed the workshops.

1.2.2 Reliability and validity

While considering the reliability and validity it is important to understand that even though the research discusses with current theories and factors suggested in the theory are found useful, still the theoretical contribution to the research remains low. As the research is limited to one specific company and it is conducted with the employees

of this specific Case Company the results are not planned to be generalized. In addition the research is done in the light of current strategies, targets and market situations. Thus the results as they are might not be applicable in the future.

To ensure reliability and validity in the current strategies, targets and market situations with this case specific research there were several sources used as theory and benchmark sources. Also several specialists around the Case Company contributed to the research. However we are talking about group of about 20 people (i.e. a relatively small group of people) which might have an impact on the outcome.

In addition to the previous the research is utilizing methodologies and tools that have been proven to be efficient (such as the action research method and six sigma tools). Selecting such methodologies and tools have a positive impact on reliability and validity.

2 Current State Analysis in the Case Company

The Case Company openly states to support sustainability in its operations around the world. Numerous Corporate Social Responsibility initiatives show the support the Case Company offers to the communities it operates in. The Case Company supports sustainability in many ways (such as annual philanthropic donations and pro-bono work) and often these initiatives are carried out in cooperation with non-governmental organizations (hereinafter also NGO's). Not only to externally show off and potentially benefit from the goodwill but the Case Company also internally stands behind the principle of supporting sustainability.

The Case Company for example has decreased its own CO2 emissions by 22% and helped to reduce their customers' CO2 emissions by over 200 000 tons in 2014. The company also helped to reach 7 000 underprivileged children in India, employs an experienced CSR department, organizes Code of Conduct learning to all employees, ensures the recycling (e.g. electronic waste) and conducts internal audits including all aspects of CSR in different sites.

2.1 Stakeholder Analysis

In the figure 5, the stakeholders of the Case Company have been divided into primary and secondary stakeholders according to Freeman's theory of stakeholder management. Primary stakeholders are usually having power over the company. Primary stakeholders of the Case Company have been identified as employees, managers, management, shareholders, financiers, customers and governments. Secondary stakeholders are not essential for the company but rather have interest in it. Secondary stakeholders of the Case Company have been identified suppliers, alliance partners, competitors, media/press, pressure groups, local communities and society. (Freeman 2007 et al, 32-44.)

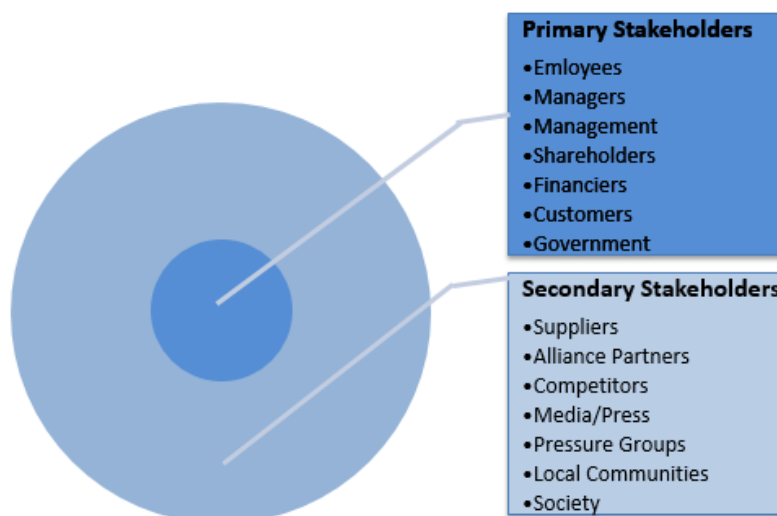


Figure 5 - Stakeholder mapping of the Case Company

Categorizing the stakeholders is in many ways useful but one must remember that there might be some overlap in the categories. For example customers are part of the wider community and might also be shareholders of the Case Company. It is also important to understand that the categories are not entirely separate from each other but rather can be interconnected in many ways. For example impacts the customer has from the local communities are like this. (Freeman 2007 et al, 44.)

Once the relevant stakeholders have been identified it is a conventional and a good practice to map stakeholders on a two-by-two matrix. The relative power (power to influence on decision making) is measured on the horizontal axis and the relative level of interest on the vertical axis. The placement of the stakeholders on the matrix indicates the best management approach of the stakeholders. (Gambles 2009, 140)

Stakeholders for the development of Supplier Sustainability Program were identified and placed on the matrix (see figure 6) in a workshop. Using the Gambles matrix creates four quadrants where each has a different strategy; monitor, keep informed, keep satisfied and manage closely. (Gambles 2009, 140.)

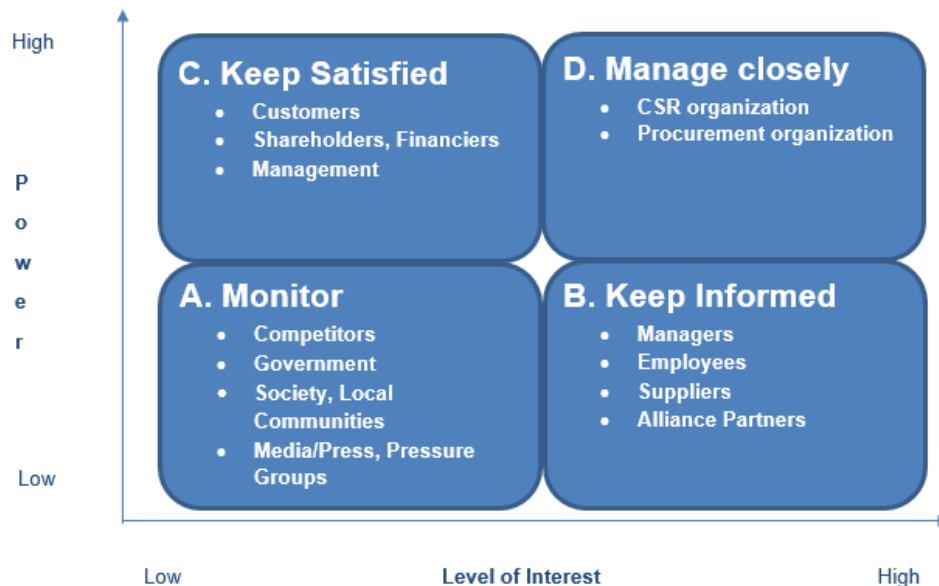


Figure 6 - Stakeholder strategies for the Case Company

The two quadrants in the bottom of the matrix are the monitor and keep informed quadrants. The bottom left quadrant, the “monitor” quadrant, includes individuals or groups who have a low level of influencing power and interest. These individuals or groups are usually not directly affected by the development project. The “keep informed” quadrant have a low level of influencing power but relatively a high level of interest with the project in question. These individuals or groups are usually directly affected by the development project. (Gambles 2009, 140-143.)

The upper part of the matrix contains the “keep satisfied” and the “manage closely” quadrants. Keep satisfied quadrant is located in the upper left corner and Gambles describes these as the most dangerous stakeholder group since individuals or groups in this quadrant have a high level of influencing power but a low level of interest with the project. Last quadrant in the upper right corner is the “manage closely” quadrant which usually contains individuals or groups that are have most influence power and are most interested with the project. Such stakeholders shape and direct decisions related to the project. (Gambles 2009, 143.)

2.2 CSR in the supply chains of the Case Company

In the Case Company, the Corporate Social Responsibility in the supply chains has been implemented through the Supplier Code of Conduct (hereinafter also the Supplier Code). The Supplier Code has been led from the ten principles provided by the United Nations Global Compact. Hence the Supplier Code includes the areas of human rights, labour conditions, the environment and anti-corruption. The Supplier Code is included with so called back-to-back commitment. This means that the suppliers that are compliant with the Supplier Code are obligated to pass on the principles of the Supplier Code to the next chain in the supply chain. This way, in theory at least, all the chains within the supply chain are committed to the principles of the Supplier Code.

The Case Company has four accepted ways to make purchases (see figure 7). First is via the internal purchasing tool (which generates an official purchase order), second is the external travel agency tool (flight and train tickets, hotel bookings, car rentals), third is according to service agreements (i.e. electricity, no official purchase order created) and the fourth are low value purchases with credit card.

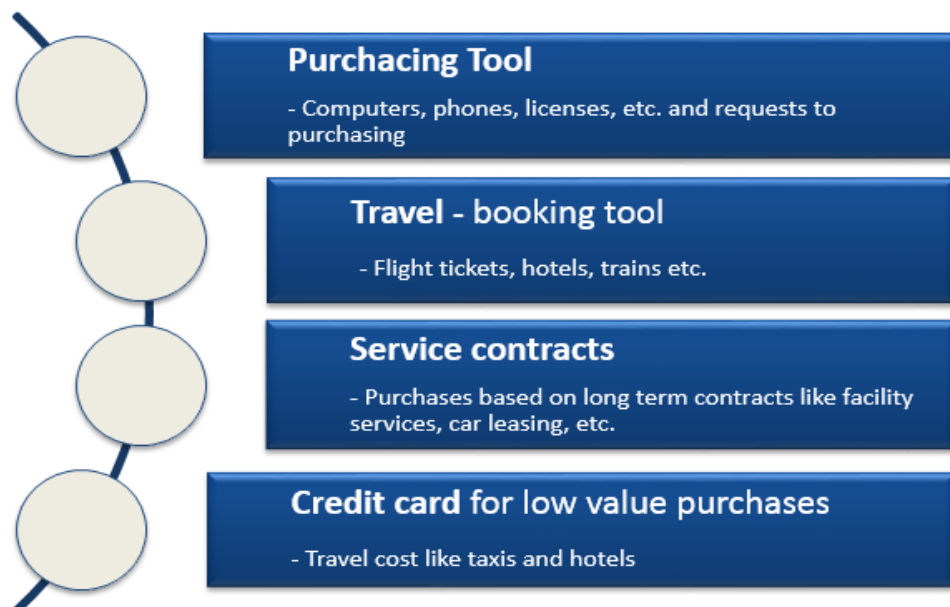


Figure 7 - Four ways to buy in the Case Company

The Procurement organization has included the Supplier Code as part of all new agreements (including service agreements shown in the figure 7) and all official purchase orders (purchasing tool, figure 7) for years. Since the beginning of the year 2015 the Supplier Code of Conduct has been included as part of all renewed agreements as well. And the travel booking tool only includes agreement hotels, airlines etc. Meaning that the Procurement has implemented the Supplier Code in the three out of the four accepted ways to purchase.

To further increase the coverage of the Supplier Code of Conduct, the Case Company plans to contact all suppliers with which they have regular business with. These regular suppliers cover more than 80 per cent of the annual external resource costs. Increasing the coverage of the Supplier Code over 85-90% will become increasingly difficult and the 100 per cent coverage (regular and irregular suppliers) might not be an achievable or even a reasonable target.

One aspect speaking against the 100 per cent total coverage target of Supplier Code is the fourth accepted way to purchase; the low value purchase process. This enables employees to buy low value purchases (i.e. phone charger or other small value accessories) basically from any store or manufacturer. The aim of this process is to avoid administrative costs (such as purchase order creation, invoice handling, approval process etc.) that could be potentially higher than the costs of the actual purchase. However, this in practice means that these supply chains are not facing any sustainability requirements from the Case Company.

There are many challenges in managing the sustainability in the Case Company's supply chains and many of these challenges are internal ones. The internal challenges are such as: unaccepted ways of purchasing, agreements where the Procurement or the Legal department has not been involved (according to the internal policies nearly every employee has right to agree on certain purchases with the approval from the line manager and the internal purchasing tool does not yet cover all possible purchases). These challenges are tackled in many ways but seems that human behaviour changes slowly.

The internal challenges are only the tip of the iceberg compared to the external challenges in managing the sustainability in the supply chains of the Case Company. From Procurements point of view, the external challenges are mainly related to breaches of

the Supplier Code. Currently there is no official process how to handle these situations, however unofficial best practices do exist.

The Procurement and CSR departments have jointly started to collect a list of possible negative human rights impacts that the Case Company might have. The list of possible impacts have been collected in accordance with United Nations Global Compact supply chain due diligence requirements. The idea is to further expand the list of possible negative impacts to cover also other CSR areas (not only human rights but also labour conditions, environment, anti-corruption and fair business practices). The aim is to understand and to be able to manage the impacts in the future.

Currently the Supplier Code enforcement is the main means for Procurement to drive the sustainability into supply chains. However, the Case Company has recognized that it is not enough to only commit the suppliers on to the Supplier Code of Conduct without somehow following it through. Also as a United Nations Global Compact signee the Case Company needs to have a reasonable due diligence process in place. Therefore the topic of this thesis was prioritized also in Procurement function and the resources for the development of the supplier sustainability program was released.

2.3 GRI reporting and the public CSR promises

The Case Company is reporting its corporate social responsibility performance according to the Global Reporting Initiative (hereinafter also GRI) sustainable reporting framework. It is a standardized practice providing metrics and methods for measuring and reporting sustainability related impacts and performance. The sustainability report combines the economic, environmental and social impacts caused by the reporting organization. The report also presents values and governance model, and demonstrates the linkage between the strategy and the commitment that the organization has towards more sustainable global economy. (The Global Reporting Initiative.)

The Case Company has been a signatory of the United Nations Global Compact (UNGC) since 2010 and reports annually on Communication on Progress against UNGC principles. The annual Sustainability Report is the basis for the Communication on Progress against UNGC principles.

In the Sustainability Report there are public promises/targets and measurements of these promises follow in the next years report. Some of the promises are followed up annually for longer time and some of the promises can be fulfilled within one year. In the past couple of years there have been three promises directly related to Procurement function. First public promise is about the adaptation of the Supplier Code of Conduct, and the second is related to supplier relationship management program. The third promise is to initiate a supplier evaluation program to further integrate the ethical principles throughout the supply chain. The need to evaluate suppliers' ethical behaviour and follow-up on actions related to that behaviour has been recognized already earlier, however, the public promise prioritized the actions and this thesis work got started.

2.4 Governance of Corporate Social Responsibility

The Case Company has committed to good corporate governance by complying with the national corporate governance code issued by the national securities market association. The overall governance model can be seen in the figure 8 below.

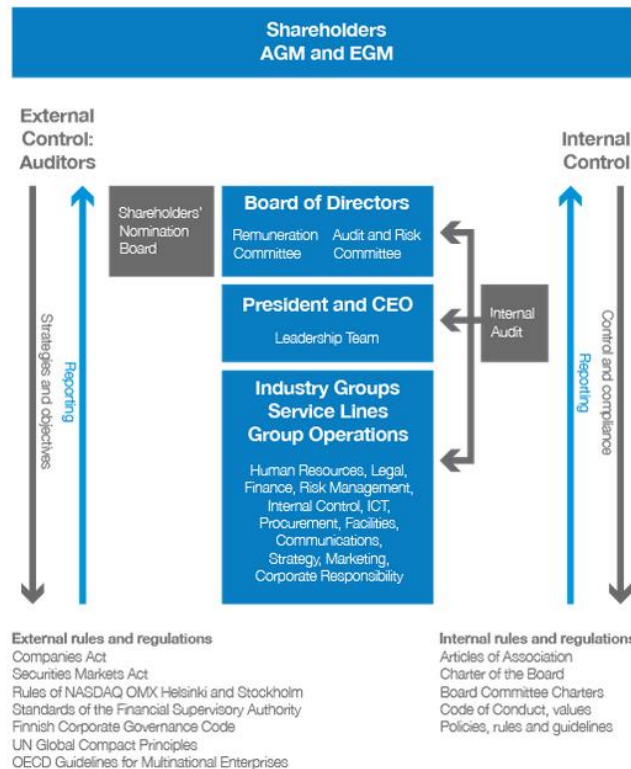


Figure 8 - Corporate Governance model in the Case Company

The Annual General Meeting (AGM) and in extraordinary circumstances also the Extraordinary General Meeting (EGM) hold the highest decision making power. Every shareholder has the right to participate in these meetings and hence also impact on the election of the Board of Directors and appointment of auditors among other things.

In the figure 8, there are both external and internal controls shown. Internal control adhere the execution of the strategy and secures regulatory compliance. The risk management framework, financial control, internal audit and the supporting policies are the foundation of the internal control. Among other things (such as Companies Act, Securities Market Act, Rules of NASDAQ OMX Helsinki and Stockholm), the United Nations Global Compact Principles and OECD Guidelines for Multinational Enterprises are the foundation of external control. Meaning that external auditing is made against those principles and guidelines.

In order to operate in a sustainable way the Case Company is managing its Corporate Social Responsibilities through a framework consisting of CSR organization, governance and compliance, processes and tools as well as communication. The CSR framework ensures that the Corporate Social Responsibilities has been implemented throughout operations.

2.5 Operational environment

When analysing the current state it is also important to understand that the companies do not operate in a vacuum but rather are influenced and influence others and the society. To understand the relations better we will now take a look at the operational environment surrounding the Case Company. The global megatrends, industry specific drivers and general sustainability trends are highlighted due to their direct linkage in this thesis and the analysis of geographical locations and competitors is explained in a lighter manner as background influencers of this thesis.

According to PricewaterhouseCoopers (PwC) the megatrends shaping business and society right now are demographic and social change, shift in the world economy power, rapid urbanization, climate change and technological breakthroughs. We can see these trends in statistics and in our daily lives. As an example 50% of the world's populations growth between now and 2050 is expected to come from Africa, 50% of

global GDP is generated by the 300 largest metropolitan areas, the 85 richest people in the world own as much wealth as the poorest 3.5 billion people, 1.5 million people are added to the urban population every week and about half of the US jobs are at risk of being computerized over the next two decades. (PwC, 2015.)

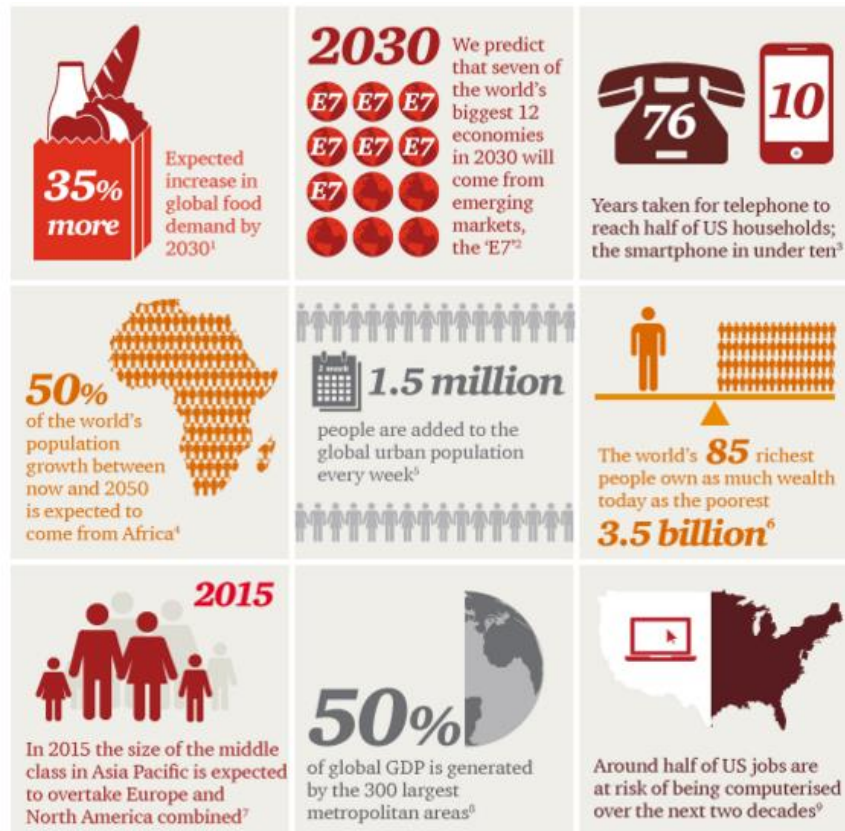


Figure 9 – Examples of the impacts of the global megatrends (PwC, 2015.)

The megatrends are global challenges but can be seen and highlighted differently in different parts of the world. For example the emerging markets are struggling with infrastructure, food, clean water and air for rapidly growing cities whereas in Europe the same megatrend can be seen as decreasing financial power (loss of jobs and wealth) and increasing government depths. The challenges and the speed of changes are huge. To understand the speed we can take a look at the history and see that it took 76 years for telephones to reach half of US households and only less than 10 years for the smartphones to do the same. (PwC, 2015.)

For international company such as the Case Company it is important to recognize not only the challenges but also the opportunities in the global megatrends. In order to be

able to seize the opportunities the Case Company needs to combine its deep Nordic market understanding with the megatrend information available.

It is important to also understand consumer market and decision making criteria since even though the Case Company operates in Business to Business market only, individuals or group of individuals are still the ones making decisions. One remarkable and perhaps sometimes overseen change in the 21st century is the growth of the sustainable shoppers (consumer buying sustainably produced goods and/or services). According to Deloitte research conducted to The Association of Food, Beverage and Consumer Product Companies in 2009, 95 percent of all interviewed consumers would buy green products and 54 percent of interviewed consumers consider sustainability to be one of their decision making factors. (Deloitte 2009: 2-5).

This trend of sustainable shopping can be seen also as the growth of Fair Trade product sales and as increased interest towards of LOHAS (Lifestyle of Health and Sustainability). As Juutinen and Steiner wrote, the green values of the consumers are becoming the new normal. Consumers are more and more actively searching for information and making decisions based on their findings. (Juutinen et al. 2010, 57-59).

Pressure to do sustainable business is not only increasing from the consumer side but also from shareholders and internally within corporations. Studies such as the Carbon Disclosure Project's Climate Change Report 2014 show that there is linkage between sustainable business and profits. According to the report S&P 500 companies that are actively managing climate change have 18 percent higher Return on Investment than companies that are not, and 67 percent higher than companies who refuse to disclose their emissions. Furthermore the companies investing in carbon reduction achieved 50 percent lower volatility of earnings (over the past decade) and 21 percent stronger dividends than their low-ranking competitors. (CDP 2014, 4).

While describing the operational environment it is also important to understand the different characteristics in different locations the Case Company operates in. The Case Company has done impact study to recognize the possible negative impacts the Case Company and its supply chains have on sustainability (in other word CSR risks) in the locations it operates in. The overall result of the study is that the possible negative impacts are pretty much the same no matter what the location is however the likelihood varies.

The Case Company has operations in Asia, East-Europe and in the Nordics and as an example let's take a look at the likelihood of possible negative impact on labour conditions. In Asia the likelihood is medium due to the fact that the minimum requirements are often poorly defined by local legislation and the people have bad access to information. The conditions are varying a lot even within the same office location, for example between the white-collar (professional, managerial or administrative work usually in an office environment) and blue-collar (manual work often in factory) workers. The employees of the Case Company are white-collar workers sitting in modern and comfortable offices. However the employees of the suppliers can be blue-collar workers facing long hours and low salaries (such as taxi drivers, office cleaners or so called tea boys). In Europe the likelihood of possible negative impacts on labour conditions is low partially due to the fact that labour conditions are fairly well covered with local legislation and the people have better access to information.

However, low likelihood still exists even in the Nordics even though all Corporate Social Responsibility areas (environment, human rights, labour rights and corruption) are legislated in a very detailed manner and people are highly educated and have an easy access to information. The recent incidents (such as a mining company has been alleged for serious health and environmental crimes, forced labour allegations, discrimination in work and educational institutions) are a reminder of the fact that risks do exist.

Important aspect of operational environment is the competitors. Market research and benchmark are good ways to position the players in the market and find out the level of sustainability actions the competitors have. While doing this the companies should also decide how much they are ready to invest on sustainability. Being forerunner usually doesn't come lightly but requires remarkable resources. On the other hand only apparent sustainability can become costly strategy as well in case of incident (due to insufficient risk recognition and hence not being prepared to handle incidents). Companies need to put the invested resources into proportion with their strategy and available resources. Furthermore all investments on sustainability needs be thoroughly planned, implemented and followed through since investments on sustainability cannot be drawn back. (Juutinen et al. 2010, 63-65).

The Case Company has also done market research on their competitors' sustainability status. The latest result from 2015 was that the Case Company is not reaching the reporting and the level of sustainability in sales material that a majority of its larger competitors have. These companies are raising the customer expectations for smaller companies as well. Comparison to the smaller and equal size competitors is more difficult due to lack of public material. The Case Company has noticed that it has excellent experiences and results with many of its customers however these results are not shared publically. Hence new marketing material related to the sustainability achievements was released at the end of 2015. Also a plan to catch up the large competitors was agreed and it is currently being implemented step by step.

3 Theoretical framework

The theoretical framework of this thesis consists of defining and understanding the essentials and backgrounds of Corporate Social Responsibility. In addition, the benchmark results and the Six Sigma process development theory, which were utilized in the thesis, are presented in this chapter.

3.1 Definition of Corporate Social Responsibility

The term Corporate Social Responsibility (hereinafter also CSR) is often seen as a synonym to other terms such as corporate responsibility, corporate citizenship, sustainability, sustainable development, social enterprise, business in society, triple bottom line, strategic philanthropy, societal value-added, corporate ethics, and also corporate governance in some cases. (Nelson 2004, 6)

Defining Corporate Social Responsibility is a complex task since the world seems to lack a generally agreed definition. Definitions vary from very simplified to highly complex ones and may include different ideologies and interests from the person defining CSR (Van Marrewijk 2003, 95-99). Some popular definitions of the Corporate Social Responsibility are:

- European Union defines CSR as “the responsibility of enterprises for their impacts on society” and further clarifies as “a process to integrate social, environmental, ethical human rights and consumer concerns into corporations’ business operations and core strategy” (EU Commission, 2015).
- Archie Carroll defines CSR as “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time.” (Carroll 1979, 500).
- Linton, Kalssen and Jayaraman defines as “using resources to meet the needs of present without compromising the ability of future generations to meet their own needs” (Linton et al. 2007, 1075).
- Arjan Van Weele defines CSR as “contribution to a better world, a better environment and better labour conditions”. He further explains that “The idea is to develop business solutions in such a way that requirements of the current world population are met without doing harm to the needs of the future generations. Companies need to balance the interests of customers, employees, the environment and its shareholders, i.e. serving the needs of ‘People, Planet and Profit’” (Van Weele 2010, 17).
- Ferrell, Thorne and Ferrell defines CSR as “the extent to which a business adopts a strategic focus for fulfilling the economic, legal, ethical, and philanthropic responsibilities expected by all its stakeholders” (Ferrell et al 2011, preface XI).
- Philip Kotler and Nancy Lee defines CSR as “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources” (Kotler 2005, 3).
- Milton Friedman has defined the social responsibility of a business as increasing its profits. Friedman is one of the most famous and often the most cited person when it comes liberal and capitalist ideologies limiting social responsibility of a corporation (Friedman 1970).

Generally approved, solid ground for defining the Sustainability can be provided by United Nations Global Compact's ten principles in the areas of human rights, labour conditions, the environment and anti-corruption. These principles enjoy universal consensus and they are originated from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. Principles:

- Human Rights:
 - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
 - Principle 2: make sure that they are not complicit in human rights abuses.
- Labour Standards:
 - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - Principle 4: the elimination of all forms of forced and compulsory labour;
 - Principle 5: the effective abolition of child labour; and
 - Principle 6: the elimination of discrimination in respect of employment and occupation.
- The Environment:
 - Principle 7: Businesses should support a precautionary approach to environmental challenges;
 - Principle 8: undertake initiatives to promote greater environmental responsibility; and
 - Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption:
 - Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. (UNGC 2008, 6.)

There are large number of different definitions of Corporate Social Responsibility. However the main idea behind the definitions is that CSR is a commitment from a corporation to act beyond legal obligations in order to create social and/or environmental benefits in addition to economic benefits. This ideology is also the main characteristics in this thesis when Corporate Social Responsibility or Sustainability terms are used. (Burchell 2008, 79).

3.2 Historical development of Corporate Social Responsibility

The historical development of CSR can be divided in three eras. First being the industrialization, followed by the era of international trade and the third being the era of the economic globalization. The following paragraphs will take a closer look at these eras from the western world point of view. (Harmaala et al. 2012, 24.)

3.2.1 The era of industrialization

One important landmark in the history of Corporate Social Responsibility was the Industrial Revolution which started the industrialization era in late 18th century. In the 19th century more and more people moved from country side to work in factories. Cities started to become crowded and lacking functional infrastructure which led to several social problems. The factory owners voluntarily started industrial welfare programs to improve the conditions of the employees and their families (i.e. by building churches, schools and apartments, and by offering health services and loans to employees). Stable society and healthy employees were vital in order for factories to be productive. (Harmaala et al. 2012, 24-25.)

One industrial welfare program forerunner was Robert Owen, who in the early 19th century established social villages around his textile factories in Scotland. These villages provided education, healthcare, banking facilities, leisure activities and food. The “Owenism” became extremely popular and led to similar approaches in the cotton farms of USA. (Kreis 2000.)

A characteristic for the Industrialization era was that the employment and the possibility for wealth were more important than the negative environmental impact. The environmental impacts at that time were mostly local. The scientific understanding of the environmental impacts was often limited and the long-term effects unknown. Legislation and norms were underdeveloped and mainly regulating farming. (Harmaala et al. 2012, 25.)

3.2.2 The era of international trade

The era of the international trade (also known as the modern era) started after the Second World War Universal Declaration of Human Rights, which is these days accepted by majority of nations, guaranteed the rights for every individual everywhere. Times changed rapidly during the era: the industrialization accelerated, employees started to demand their rights, labour unions were established, and foundations for welfare states were built. Public welfare systems evolved and many responsibilities (such as education, healthcare and the building of housing) were in a way outsourced from the factories to the public society. (Harmaala et al. 2012, 25-26, Juutinen et al. 2010, 28.)

The accelerating industrialization and the increased demand for goods made the environmental impacts visible. The connection between negative environmental impacts and the factories, and the ways to prevent and minimize these impacts were investigated. The development of information technology allowed the wider spread of news and information which led to activism and finally to the founding of environmental and human rights organizations such as Greenpeace, Amnesty International and WWF. Norms and legislation were slowly developed. (Harmaala et al. 2012, 26, Juutinen et al. 2010, 28.)

3.2.3 The era of economic globalization

The era of economic globalization started in the 1990's after the Cold War. The barriers of trade slowly started to break down and allowed the mobility of labour and goods. Globalization has offered new ways to gain profits but at the other hand it has raised the need for global norms and standards (i.e. Rio Declaration on Environment and Development in 1992 and Johannesburg Declaration in 2002).

After welfare states were built in 1950's the corporations have increasingly focused on making profits. Whereas in the industrialization era regulation by the state was seen sufficient method for ensuring fair competition, respect for fundamental human rights, distribution of wealth, control of criminal economic activity and the protection of natural environment, in the economic globalization era it is not seen as sufficient anymore.

One reason for this is that multinational corporations have significant economic power (many government budgets seem very modest when compared with the budgets of the largest corporations in the world). (Cragg 2005, 1-2.)

Now in 2010's the USA and many Asian nations are taking small steps in increasing public responsibility (i.e. in healthcare industry) and at the same time the traditional welfare states (such as the Nordic countries) are facing crisis and are struggling with their responsibilities to keep up the level of welfare services. (Harmaala et al. 2012, 27.)

Juutinen and Steiner (2010) see that the next era is about to begin; the era of the strategic corporate social responsibility, as they have named it. A characteristic for the new era could be the integration of CSR into corporate operations and more balanced division of social responsibilities between governments and corporations. (Juutinen et al. 2010, 29-30.)

3.3 Levels of Corporate Social Responsibility

Archie Carroll has defined society's expectations toward corporations by categorizing CSR along four levels, which he named economic, legal, ethical and discretionary (philanthropic) responsibilities. These four layers reflect the tendency of business to have an early focus on economic and legal aspects and in more mature phase followed by the ethical and discretionary aspects. All the levels presented in the Carroll's pyramid (see figure 10) are required, expected and/or desired by the society. In order to meet the expectations set by society, businesses need to implement all four levels. (Carroll, 1991, 39-40. Ferrel et al. 2011, 10.)

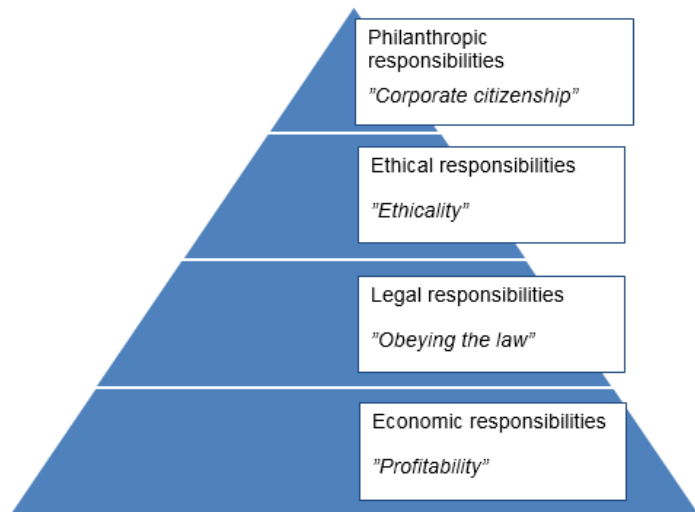


Figure 10 - The Pyramid of Corporate Social Responsibility (Carroll. 1991, 40).

At the lowest level of the pyramid there is the fundamental responsibility that the businesses should be economically viable. The economic responsibility creates return on investment to the owners, jobs for the community and goods and services to the economy. By maximizing profits (maximizing sales and minimizing costs) the business can contribute its economic responsibility the best. The Economic level is often seen as the foundation on which all other levels rest. (Ferrel et al. 2011, 10-11.)

At the second lowest level of the pyramid there are the legal responsibilities. Businesses are required to also obey the laws and regulations in order to have socially responsible business conduct. The Legal responsibilities are society's expectations regarding the behaviour of business pushed through the legal system. In legal responsibility point of view, the law is seen as the codification of right and wrong, and by obeying the law the business is operating in a responsible manner. (Ferrel et al. 2011, 12.)

On top of the economic and legal levels of CSR each business sets its own ethical and philanthropic levels. With these levels businesses consider how to be just and fair. The ethical responsibilities level refers to the principles and standards expected by the society. Ethical responsibility of a business is to avoid harm and to do what is right, just and fair. For example Code of Conduct and ISO 14001 Environment standard are ethical level activities implemented by many businesses around the world. (Ferrel et al. 2011, 13.)

At the top of the Carrol's pyramid there is the philanthropic level which includes activities promoting welfare and goodwill. Welfare and goodwill can be promoted for example with voluntary donations of money, time and other resources. There are many ways to contribute: some companies have established a non-profit organizations (foundations) to drive the welfare, some companies donate to existing non-profit organization and some donate directly to a selected cause. The philanthropic responsibility of a business is to be a good corporate citizen and improve quality of life by contributing resources to the community. (Ferrel et al. 2011, 13-14.)

The Carrol's pyramid of CSR has been largely tested and supported model to describe the dimension and levels of Corporate Social Responsibility. However it can give an expression that there is natural progression from economic to philanthropic responsibilities which does not quite apply in reality. In other words, businesses do not need to be economically viable before taking the other levels into consideration. Businesses demonstrate varying degrees of social responsibility at different points of time. Therefore the responsibilities are often looked at from a different point of view such as shown in the Figure 11. (Ferrel et al. 2011, 13-14.)

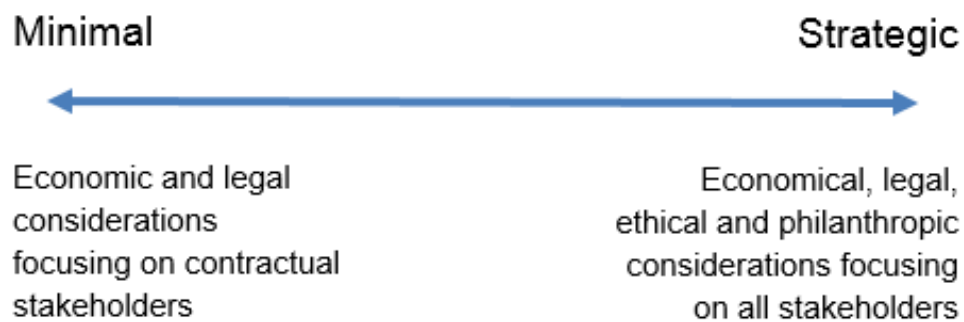


Figure 11 - Social Responsibility Continuum (Ferrel et al. 2011, 14).

The Figure 11 shows the range of how businesses fulfil their economic, legal, ethical and philanthropic responsibilities. Businesses focusing on only expectations required by the law and contracts demonstrate the minimal responsibility. A Strategic responsibility is demonstrated when a business considers corporate responsibility as an essen-

tial part of its vision, mission, values and practices and has integrated a range of expectations, desires and constituencies into its strategic direction and planning processes. (Ferrel et al. 2011, 14).

3.4 Corporate Social Responsibility excludes

As mentioned above, Corporate Social Responsibility can be difficult to define, and sometimes people misunderstand or even misuse the CSR. Therefore, when defining CSR, it is important to also cover areas that are not part of CSR. The area that is misunderstood or misused as CSR can be divided into two groups; Corporate Social Irresponsibility and misuse of CSR forms.

3.4.1 Corporate Social Irresponsibility

Corporate Social Irresponsibility (hereinafter also CSiR) defined by J.S. Armstrong is “a socially irresponsible act is a decision to accept an alternative that is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered. Generally this involves a gain by one party at the expense of the total system.” According to Armstrong, the key element of Corporate Social Irresponsibility is the exploitation of negative impacts (action affecting the well-being of another person or environment). One example of CSiR is focusing on maximizing the benefits to stockholders without considering other interest groups and the environment (other stakeholders). (Armstrong 1977, 185-213.)

The line between legal and illegal actions and behaviour can usually be defined precisely. However behaving according to law does not necessarily mean behaving responsibly. The figure 12 presents the CSiR and CSR continuum which describes that between CSiR and CSR there is a ‘grey area’ where unsustainable and/or unethical behaviour could be found. The grey area behaviour might be accepted and might not be accepted by the society. Boundary between CSiR and CSR is arbitrary, dynamic and also shifts from time to time. (Tench et al. 2012, 9-10.)

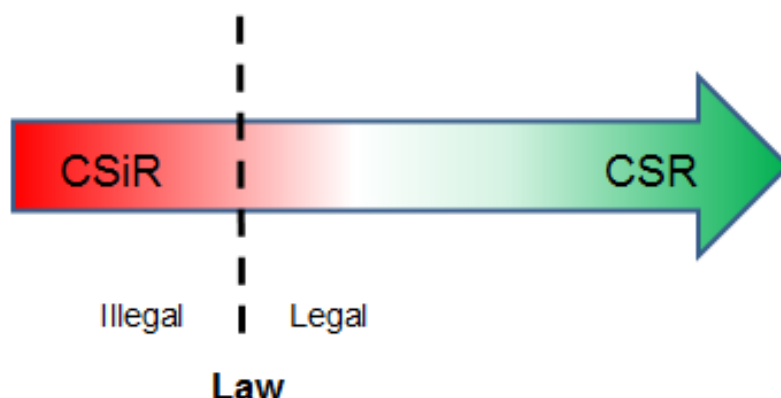


Figure 12 - The adapted CSiR and CSR Continuum (Tench et al. 2012, 9).

3.4.2 Misuse of CSR forms

There are several way to misuse CSR. One way is to use solely some levels of CSR and discard others. Good example would be pure philanthropy behaviour. Companies can be generous in their giving but that is not CSR alone - the philanthropy has to be integrated part of their CSR. And some philanthropy can even be considered as Corporate Social Irresponsibility if the philanthropy is misused for example for tax avoidance purposes. It is also important to understand that Corporate Responsibility means the responsibility of the business. Hence, charity type of actions and projects that are separated from the business are not part of corporate responsibility. (Juutinen & Steiner 2010, 22)

Public relations (hereinafter also PR) are not CSR either, even if there might be some overlapping elements. PR should provide truthful information about the company and its Corporate Social Responsibility activities to the stakeholders and avoid for example greenwashing, over-promising and under-delivering. There are examples of companies spending more money on creating and publishing a great CSR story than on CSR activities itself. This kind of behaviour can be regarded as irresponsible and counterproductive and therefore is excluded from CSR definition. (Middlemiss 2003, 359)

3.5 Evaluating CSR in supply chain

Evaluating CSR in supply chains can probably be done in several ways. To be able to answer the question “what kind of Supplier Sustainability Program is generally considered as a good one” I decided to find out how other companies are handling their supply chain sustainability. I conducted (as a desktop study) a benchmark of 15 companies.

The benchmark study was done by informally interviewing five persons responsible for CSR and/or supply chains and by looking information related supplier sustainability programs from the Internet. Most of the companies selected for the benchmark are large ICT industry companies playing an important role in the Nordic region (both software and hardware companies). I also added couple of companies that are globally well-known for their sustainable initiatives (such as Philips and Siemens) and are struggling with similar issues in their supply chains with ICT hardware manufacturers (issues such as energy efficiency, human rights and labour conditions). Last I also added Kone and ABB as part of the benchmark since they have large service offerings and seem to be forerunners in many aspects in Finland and in the rest of the Nordics as well and therefore I felt they were relevant to benchmark as well.

Table 1 - Benchmark results

Corporations	Joint efforts	Signatory of UNGC	Supplier sustainability program
ABB Limited	Yes	Yes	Yes
Accenture	Yes	Yes	Yes
Apple	Yes	No	Yes
Cisco	Yes	Yes	Yes
Dell	Yes	No	Yes
Eaton	Yes	No	Yes
Fujitsu Limited	Yes	Yes	Yes
Google	Yes	No	Yes
Hewlett-Packard	Yes	Yes	Yes
IBM	Yes	No	Yes
Kone Corporation	Yes	Yes	Yes
Lenovo	Yes	Yes	Yes
Microsoft Corporation	Yes	Yes	Yes
Nokia Corporation	Yes	Yes	Yes
Philips	Yes	Yes	Yes
Siemens	Yes	Yes	Yes

Based on a benchmark there was one message above all other: join forces. Summary of the benchmark conducted is presented in the table 1. Fifteen out of fifteen corporations that were selected to the benchmark stated that they are joining their forces with some or several organizations in the area of sustainability.

Most of the companies cooperate with Non-Government Organization(s) or participate on a joint initiative managed by third party (such as Electronic Industry Citizenship Coalition and Joint Audit Cooperation). Some of these organizations relevant to the Nordic ICT industry are presented in the table 2.

Table 2 - Organizations relevant to supply chain sustainability in the ICT industry

Organization	Description
CDP (The Carbon Disclosure Project)	CDP is an organization based in the United Kingdom which works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations.
JAC (Joint Audit Cooperation)	JAC is an industry initiative made up of 10 telecom operators (Belgacom, Deutsche Telekom, KPN, Orange, Swisscom, Telecom Italia, Telenor, Telia Sonera, Verizon, Vodafone,) with the common objective of raising social, environmental and ethical standards within the ICT supply chain.
GeSI (Global e-Sustainability Initiative)	GeSI represents over 30 of the world's leading service providers and vendors from the Information and Communication Technology (ICT) sector. With a diverse and global member base, GeSI fosters collaborative and innovative approaches to sustainability.
UNGC (United Nations Global Compact)	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

EICC (Electronic Industry Citizenship Coalition)	The EICC is a nonprofit coalition of electronics companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain.
FIBS ry (Finnish Business and Society)	Corporate Responsibility Network FIBS is a leading non-profit corporate responsibility network in Finland. FIBS promotes financially, socially and ecologically sustainable business in Finland by supporting members' CR strategy and initiatives.
CSR Sweden	The leading business driven network in Sweden for stimulating and creating an environment for corporate social responsibility.
GRI (Global Reporting Initiative)	Providing a sustainable reporting framework (standardized practice providing metrics and methods for measuring and reporting sustainability related impacts and performance). The framework combines the economic, environmental and social impacts caused by the reporting organization.

Benchmark was done in May 2015 and at that time I could see from the United Nations Global Compact Initiative participant search Internet pages (<https://www.unglobalcompact.org/participants/search>) that 10/15 companies were signatories of UNGC. As mentioned earlier United Nations Global Compact includes generally approved principles defining corporate social responsibility. Companies that were not signatories of UNGC were all large US headquartered companies; Apple, Dell, Eaton, Google and IBM. However it is important to understand that even though these companies were not signatories of UNGC they still might adopt the same principles and/or manage their supply chain in a sustainable way.

During the unofficial interviews with representatives from some of these selected companies I also asked how they handle due diligence obligations. Most of the companies have a clear process in form of program or process similar to Supplier Sustainability Program. The programs have variation from focusing on firefighting (incidents) to a proactive supply chain risk management. The proactive supply chain risk management in

most cases relies on supply base risk assessments and supplier self-assessments. Often companies also used external reports and databases to conduct parts of these. With risk assessment companies mentioned sources as Education Index by United Nations Development Programme (UNDP), Child Labour Index by Maplecroft, Employed working poor by ILO Global wage report, Corruption Perception Index by Transparency International and Human Rights Risk Atlas by Maplecroft. Some of the representatives mentioned that they have or plan to use third party help and databases such as Supplier Ethical Data Exchange (Sedex) and EcoVadis were mentioned.

One of the topics during the unofficial interviews during this benchmark was why have they participated or why would it be appealing (to those who have not joined) to participate to some joint effort. To summarize the answers, the following reasons were mentioned:

- Database access (for example access to audit reports)
- Better possibilities to influence and gain information (e.g. in case of an incident/breach)
- Professional development and networking opportunities (access to trainings, events and so forth)
- Identifying training and development opportunities
- Support group

The second very clear finding was that there is no need to reinvent the wheel. In the area of supplier sustainability programs there are certain settled tools in use (best practices) that can be tailored to basically all companies and organizations by determining the scope and the scale of the practices to align with the available resources. Based on the unofficial interviews and the very informative home pages of some companies such as Siemens and Philips, these best practices (or steps that frequently were mentioned) in brief were the following:

- Supply base and risk assessment
- Supplier self-assessment
- Supplier audits

In addition to the best practices and other findings from the benchmark I found the United Nations Global Compact guidelines on how to build a supplier sustainability program (see figure 13). Combining the tools with UNGC guide the following steps could be identified as steps to take while developing a supplier sustainability program:

- Share information of expectations and commit suppliers (for example the requirements set in Code of Conduct)
- Analyse the supplier base and plan activities accordingly (supply risk assessment, self-assessment and supplier audits)
- Implement planned activities
- Measure and monitor
- Improve
-

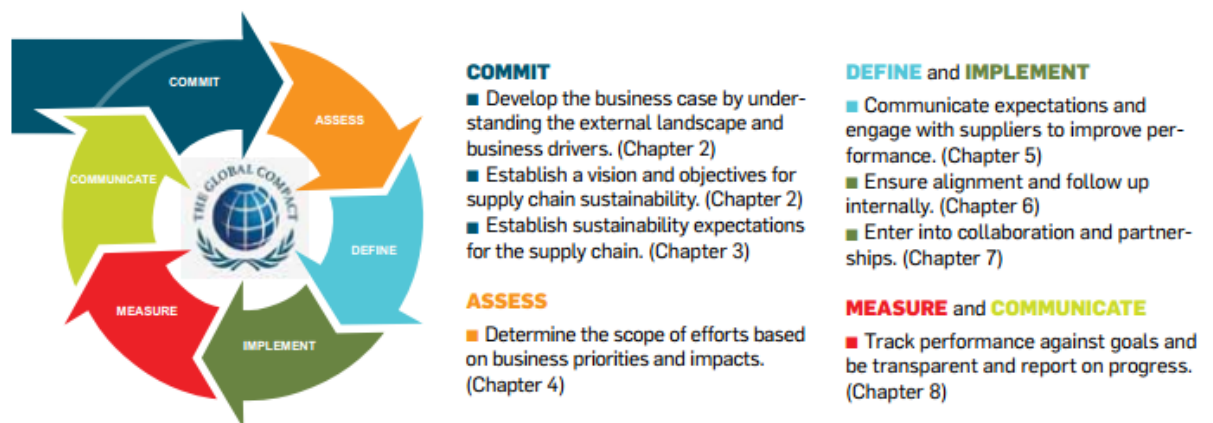


Figure 13 – The instructions for building supplier sustainability program. (UNGC 2010; 5.)

As an outcome from the desktop study benchmark I would highlight the following. Set of tools used are quite standard (supply base and risk analysis, supplier self-assessment, supplier audit) however these tools should be scaled to the resources available and they should support the chosen strategies. There are also external help available either by paying some third party or by joining certain groups (joining groups usually includes a price tag as well).

After the benchmark I have a good answer and understanding to the first research question. A Supplier Sustainability Program is generally considered as a good one if it includes supply base and risk analysis, supplier self-assessment and supplier audit steps and if the Program fits to the resources and needs of the company.

3.6 Design for Six Sigma

The Case Company has utilized successfully Six Sigma in several process developments and improvements in the past years and therefore the Six Sigma approach was selected to be utilized in this thesis as well. Design for Six Sigma (DFSS) is a framework to design or re-design a new product or service whereas the basic Six Sigma is a process improvement approach to existing processes. (Tennant 2002, 57.)

The term Six Sigma is associated with statistical modelling of manufacturing processes. Mathematicians and engineers have been using sigma as a symbol for a unit of measurement in product quality variation since 1920's. The maturity of manufacturing process can be described by a sigma rating indicating the percentage of defect-free products in a manufacturing process. (Pande et al 2002, 6-8.)

The Six Sigma framework seeks to systematically improve the quality of process outputs by identifying and removing the causes of defects and minimizing the variability in processes. It was developed by Mikael Harry and Jack Welch while working at Motorola in the mid-1980. Initially Six Sigma was an informal name for internal initiative at Motorola aiming at reducing defects of manufacturing processes by using MAIC phases (Measure, Analyse, Improve and Control). Later on the phases were updated to DMAIC by including a Define phase to the beginning. By the late 1990s already about two-thirds of the Fortune 500 organizations had begun Six Sigma initiatives in order to reduce costs and improve quality. (Laamanen & Tinnilä 2002, 15-17. Pande et al 2002, 6-8.)

By the 21st century the Six Sigma has become an industry of its own by providing training, consultancy and implementation of Six Sigma in all sorts of organizations all around the world. The Six Sigma keeps on developing and one of the latest large improvements made to Six Sigma is an addition of a Lean element. Lean Six Sigma aims at improving processes also by avoiding waste (steps with no added value) in the process. (Lecklin 2006, 205-207.)

It is stated that there are six ingredients in Six Sigma for a company to deliver excellence:

- Genuine focus on the customer (focus on customers is always the top priority and hence performance measurement always begins and ends with customer survey)
- Data and fact driven management
- Process focus, management and improvement (mind-set change; mastering and improving processes is the only step to build competitive advantage)
- Proactive management
- Boundary less collaboration (affects an entire organization and forces collaboration)
- Drive for perfection, tolerate failure. (Pande et al 2002, 8-10.)

In this thesis I used the Design for Six Sigma (DFSS) approach which aims at designing/re-designing a perfect process. The approach and Six Sigma tools were utilized especially to have reliable, verifiable and measurable information from the development work. DFSS is also known as DMADV approach since it is based on the following phases:

D – Define process and design goals

M – Measure (and identify) critical-to-quality aspects of your process, including risks and production capabilities

A – Analyse to develop process designs and evaluate to select the best design for the process

D – Design process details and optimize the design. Test the design.

V – Verify the chosen design for your process with pilot-testing. Implement and monitor the new process. (Tennant 2002, 57.)

4 Development of a Supplier Sustainability Program

In this chapter the development of the Supplier Sustainability Program is described. The development is done in accordance with the action research methodology steps and with the help of Six Sigma framework. The text describing the development phases has divided into planning, action, observing and reflecting according to Action Research Circle.

Before the development of the Supplier Sustainability Program started, the writer of this thesis introduced herself into the theory of the Corporate Social Responsibility and to the best practices in the market by conducting a benchmark study (see chapter 3).

4.1 Planning

Planning phase includes defining the project, analysing and planning of the methods, schedules and measures (see figure 14). In this phase it is also important to understand what kind of resources are needed and at which steps along the way.

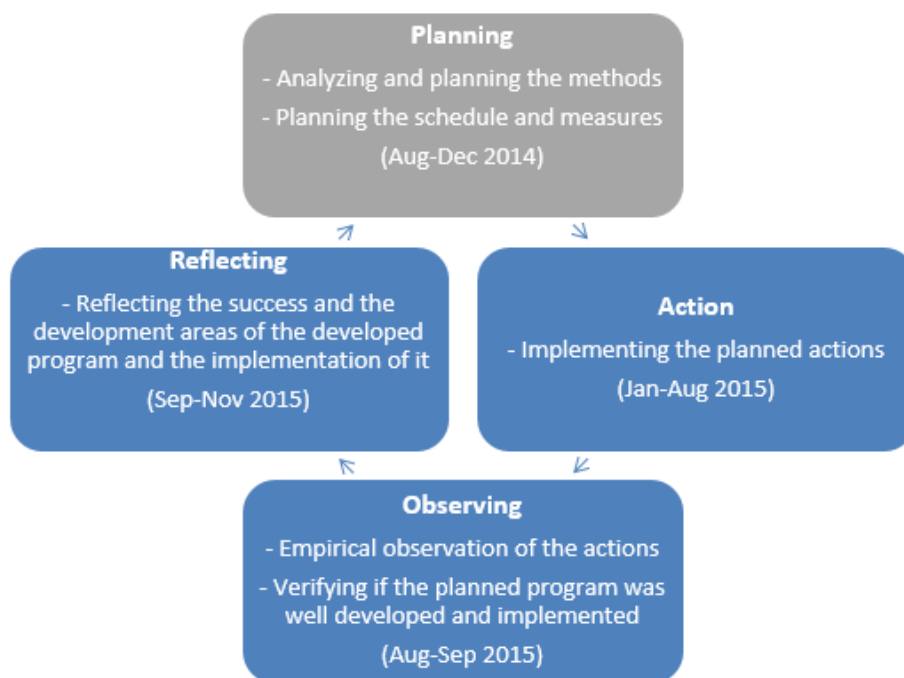


Figure 14 - Planning phase in the Action Research Circle

4.1.1 Definition of the project and the target

The development of the Supplier Sustainability Program starts with defining what the project is and what it should accomplish. The starting point of this project was a kick-off workshop where different organizations within the Case Company were collecting and prioritizing the needs they have for the supply chain sustainability management. The most fundamental findings from the first workshop were;

- The Case Company has publicly announced goals related to Corporate Social Responsibility in supply chains, however there is no clear ownership and execution plan of these announced goals.
- The Case Company does not currently have one way of working when it comes to CSR in supply chains. Individuals around the company make supplier engagement and selections without guidance or tools – or even without existence – of CSR related aspects.

In addition to the findings listed above, the following needs for the Supplier Sustainability Program were identified as an outcome from the kick-off workshop;

- Process to evaluate the sustainability in the supply chains (framework for proper administration of supply chain sustainability)
- Process to handle ad-hoc situations (i.e. alleged incidents) in supply chain
- Recognize relevant risks and reducing the likelihood of incidents.
- Clear internal roles and responsibilities
- Compliance with the United Nations guiding principles for the supply chain due diligence management in corporations

With the above mentioned findings it was clear that the project was needed and should start as soon as possible. Officially the development project started in August 2014 with benchmark study. However a draft of project plan (project definition, target and deliverables) were prepared earlier in order to gain official approval for the project.

The target was defined as the Supplier Sustainability Program is to fulfil the public target by implementing a Corporate Social Responsibility due diligence program for the suppliers of the Case Company and this way achieve systematic means to mitigate Corporate Social Responsibility risks in supply chains.

4.1.2 Schedule

After defining the project and its target I moved to schedule the project. I started by setting time schedule and by planning and scheduling the internal workshops. The time schedule for development of the Supplier Sustainability Program is presented in the table below (see table 3).

Table 3 - Time schedule for the planning and implementing the Supplier Sustainability Program

No	Description	Q2	Q3	Q1	Q2	Q3	Q4
1	Benchmark						
2	Define the SSP process steps (internal workshops, part 1)						
3	Risk Assessment vs internal resources (int. workshops, part 2)						
4	Initiate the SSP (pilot/phase 1)						
5	Improve SSP material based on pilot (int. workshops, part 3)						
6	Implement SSP in full (phase 2)						
7	Create suggestions for the future						

The plan was to combine the benchmark findings (chapter 3.5) as a background information when having the internal workshops that combined the know-how from Procurement and CSR departments. The material consisted of three main findings and the first was that many of the companies (especially companies having headquarters in the EU) use the United Nations Global Compact guidelines as a framework in their supply chain sustainability initiatives. Also the supplier sustainability programs seem to follow the United Nations guidelines fairly well.

Second finding was that companies have scaled their actions according to available resources. UNGC leaves room for interpretation and with smaller resources there are less things possible to do than with larger resources. The third finding was that the tools used in supplier sustainability due diligence programs are quite standard (supply and risk analyses, supplier self-assessment and supplier audit).

The Case Company has two different kind of supplier classifications; one based on spend (category classification) and another based on number of invoices (division into regular and non-regular suppliers). The category classification could be useful in the risk assessment phase. The plan was to combine different indices (e.g. corruption indices per country by Transparency International, freedom index by Freedom House etc.) to create country risk indices for the countries the Case Company has operations in. Then in the second workshops list the CSR impacts the Case Company has, assess the categories where the risk impacts can occur and prioritize the impacts. And by combining these two aspects (country indices and category impacts) the Case Company will have a sufficient risk assessment.

The initial idea was to use also the other existing classification (the regular vs non-regular division) in selecting the supplier to pilot phase (no 4 in the table 1). However the

division into regular and non-regular suppliers seemed to be somewhat irrelevant since it was made solely based on the number of invoices per year and did not take into account other forms of regularity. Therefore suppliers that invoiced the Case Company rarely but regularly were classified as non-regular supplier. There also was no minimum spend value and hence there were huge amount of regular suppliers that were very insignificant to the Case Company. Therefore the initial idea was changed and instead I planned to identify the most significant suppliers.

The workshops are natural choice as the method of the development work since it's commonly used in the Case Company and nicely participates and potentially engages the participants. I also personally feel that workshops are natural way for conducting Action Research methodology because in the workshops researcher is allowed to participate as well. I have noticed that with good planning and execution, the workshops are efficient way to combine the know-how that has spread around the company. I took a consultative and facilitative role in most of the workshops.

Based on the benchmark the Supplier Sustainability Programs usually include supply base and risk assessments, supplier self-assessments and supplier audits. And I personally feel that this could be the grounds for the Case Company as well. However I recognized that the focus perhaps could not be on supplier on-site audits as they require resources outside Procurement function to plan and conduct.

The implementation of the program was planned to take place in three phases where first one is creating the program steps in cooperation with CSR and procurement experts in the Case Company, second one is pilot-test the program with part of the suppliers and third is analysing the pilot result and updating the steps accordingly. After these steps the program can be utilized to any identified supplier.

4.1.3 Measurements

One of the main advances of Six Sigma is that it aims at data driven management by combining data with knowledge and experience (George 2003: 281). First there were mainly qualitative needs to start the project with. With the help of the Quality Function Deployment (QFD), which is one of the Six Sigma tools, the qualitative user needs are transferred into quantitative parameters.

In practice this means that first the needs (what's) from the stakeholders are identified and weighted in workshops. Then the process steps that can provide solution to the needs (how's) are identified in workshops. And lastly what's and how's are cross-checked and scored. With this method the qualitative stakeholder need and process steps to fulfil the needs are systematically collected and transferred into quantitative results. Based on the qualitative results one may draw conclusions such as which steps are the most important steps in order to fulfil customer needs.

Design of Experiment (DoE) is another Six Sigma tool that I plan to utilize in order to optimize the Program steps. Where Quality Function Deployment is used to identify the most important steps (how's), the Design of Experiment is used to optimize the steps. In other words DoE allows to understand how inputs effect the output (the how's effect the process).

Plan is to conduct DoE for the most important process steps (identified with QFD tool). By describing low and high service levels for each step and evaluating different process options DoE tests multiple process options at once, helps to understand how the steps effect the outcome, screens out cause-effects and factors that don't matter. As an outcome from the Design of Experiment we should have a very good starting point for pilot-test.

After the most important Supplier Sustainability Program process steps have been defined with the help of QFD tool, optimized with the help of DoE tool, piloted with selected suppliers and fully implemented, the success of the development project will be measured with short questionnaire to key stakeholders at the end of the project. Questionnaire will include the following questions:

1. How well do you think the Supplier Sustainability Program serves the need of proper administration framework for supply chain sustainability?
2. How well do you think the Supplier Sustainability Program serves the need of the ability to handle ad-hoc situations related to alleged incidents?
3. How well do you think the Supplier Sustainability Program serves the need of recognizing relevant risks and reducing the likelihood of incidents in supply chains?
4. How well do you think the Supplier Sustainability Program explains the roles and responsibilities?

5. Which overall grade do you think describes the Supplier Sustainability Program the best?

The questions will have a scale from one to five where 1 equals to the program not serving the needs of the responding person/organization and 5 to the program serving the needs of the responding person/organization in a structured and systematic way.

4.2 Action

After careful planning the actual development was started. In this Action phase (see figure 15) planning from the previous phase was taken into action and the development of the Supplier Sustainability Program was done. Chapter includes utilization of Six Sigma tools in several workshops with relevant people within the Case Company. Utilized Six Sigma tools were Quality Function Deployment (QFD) and Design of Experiment (DoE).

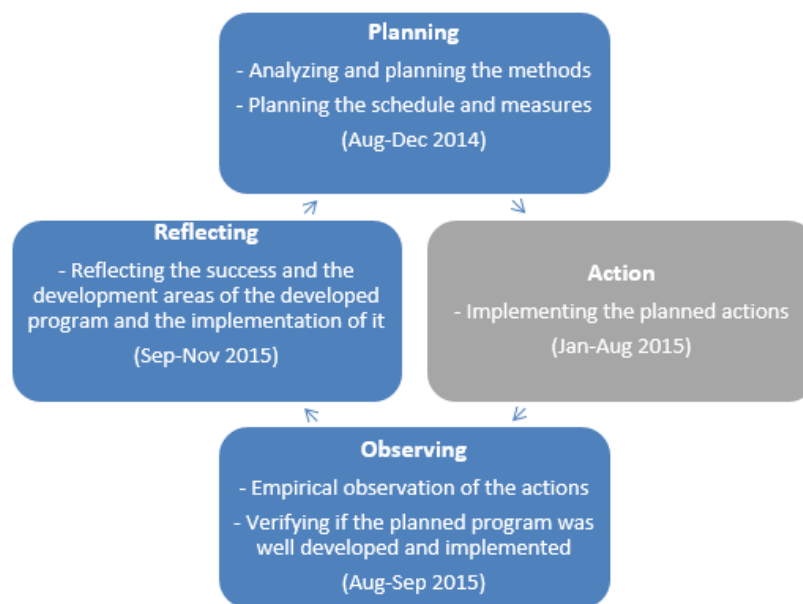


Figure 15 - Action phase in the Action Research Circle

4.2.1 Quality Function Deployment

As planned, I utilized Quality Function Deployment (QFD) from Six Sigma toolbox to transform the qualitative needs into quantitative parameters. First the stakeholder

needs (what's) were identified and weighted in workshops. Then the process steps that can provide solution to the needs (how's) were identified in workshops. And lastly what's and how's were cross-checked and scored. With this method the qualitative stakeholder needs were transferred into quantitative parameters. The higher the score was, the higher the importance of certain step was.

Furthermore what's were divided into three classes according to their function in the process. These three classes are program oriented, process oriented and other classes.

The needs in the program oriented class includes such steps that have impact on the overall running of the supplier sustainability program. The program oriented class includes the following steps:

- Annual supplier base analysis (supplier classification, risk assessment)
- Check requirements annually from CSR department (customer requirements, minimum requirements)
- If requirement have changed, review the templates (self-assessment questions, supplier letters and corrective action plan accordingly)
- If requirements have changed review old supplier self-assessment responses
- Check with Category managers (and other relevant stakeholders if needed) the suppliers to be invited to the program
- Creation of standard templates (i.e. self-assessment survey, letters for suppliers, letter for stakeholders, corrective action plan)
- Check frequently the current situation (response rates, code of conduct compliance etc.)
- Information of current situation (response rates, code of conduct etc.)
- Create and inform annual plan (what is happening when and with whom)
- Create, share and update compliant vs non-compliant list of suppliers

The second class is process oriented class which will have a direct impact on suppliers and actions on focus in the becoming year. The steps in this class are related to how the involved parties perceive the process. How the suppliers should be contacted, how actions are followed-up and so on. The operational tasks class is also visible for the suppliers that are included in the supplier sustainability program. The following steps are included into the service class:

- Name single point of contact (SPOC) towards internal and external stakeholders such as suppliers, sourcing, business units and Corporate Social Responsibility unit (one person to facilitate/goes through the whole process)
- SPOC to handle all the information filling on behalf of the Case Company to the tools used in the program
- SPOC to support suppliers and stakeholders with the tools used in the program
- SPOC to answer supplier and stakeholder questions
- SPOC to inform and agree the process with stakeholders (including escalation path)
- SPOC to inform relevant stakeholders in all stages (cat manager; time schedule, supplier deviations/findings, process result, supplier actions, CSR; time schedule (annual plan), findings, results, KPI information, Procu management; annual plan, KPI's)
- SPOC to give the category manager an option to contact the selected supplier first
- Non anonymous service (person communicates through his or her own mail)
- Good documentation of steps
- Ensure actual compliance of the supplier code (not just on paper but also in operations)
- SPOC to use standard stakeholder communication
- SPOC to use standard process (the way suppliers are treated is standard)
- Use English throughout the process
- Supplier Self-assessment

The third class is other class. This class includes somewhat separate steps that needs to be taken in order to fulfil customer needs. The following steps are included into the other class:

- General communication (egg. Updating intranet, creating supplier newsletter, procurement intranet pages – information of supplier requirements and the process)
- Engage with 3rd party auditor
- Engage with 3rd party supplier assessment company
- Collect feedback
- Forward CSR reporting needs to suppliers

In total there were 29 different how's identified and out of these steps there were seven most important steps identified with the Quality Function Deployment. These seven most important steps are presented in the table 4. Quite surprisingly three out of the seven were related to information and communication and the four remaining steps were supplier base analysis, single point of contact, standardized process towards suppliers and supplier self-assessment. The QFD results are also shown in the Appendix 1.

Table 4 - The most important steps in the Supplier Sustainability program

1	Inform the relevant stakeholder in all stages
2	Create general communication (i.e. update intra)
3	Standardized stakeholder communication
4	Annual Supplier base analysis (i.e. most significant suppliers, most riskiest suppliers, partners/alliance members)
5	Name single point of contact towards suppliers, sourcing, category managers and other (one person facilitates and goes through the whole process with different stakeholders)
6	Standard process (the way suppliers are treated is standard)
7	Supplier self-assessment

To summarize the results based on the most important steps, there should be a single point of contact facilitating a standardized process which included supplier self-assessment survey, and the focus of the program should be adjusted on an annual basis. Furthermore there should be enough communication at all stages.

Self-assessment survey was one of the three tools that were identified in benchmark along with supply base analysis (including also supplier risk analysis) and supplier audits. Supplier self-assessment survey includes set of questions related to the sustainability. Questions often reflects the focus areas of each company sending them out. The idea of supplier self-assessment survey is to let the suppliers assess their own operations. With the Case Company in question, the questions in the self-assessment would be related to environment, human rights, labour rights and anti-corruption since they are the backbone of the sustainability at the Case Company.

It was a bit surprising to see that supplier audits were not highlighted as the other two tools identified in the benchmark. Supplier audits were however mentioned as 'engage third party auditor'. The lack of the importance of this step might have to do with the

fact that for the people in the Case Company it is quite self-evident that with current resources it is quite impossible to handle internally. And on the other hand for most of the participants it doesn't matter how the sustainability is ensured, what matters is that that it is ensured and it does not significantly add their workload. And the need for not significantly adding workload was mentioned in each and every workshop.

As mentioned the workload issue was raised during the QFD related workshops and is visible in the results as well as in form of the need for single point of contact (SPOC). There were multiple steps identified for a SPOC and for a SPOC only. And naming the SPOC was also a separate step identified in the process. During the workshops it became evident that people want to remember only one name who to turn to and found it easier for the external parties involved as well.

4.2.2 Design of Experiment

The Design of Experiment started by working with the most important how's that were identified in the previous phase. I described the low and high values (service level options) for each of these how's. Values are presented in the table 5.

Table 5 - The most important steps with low and high values

Task orientated	Low	High
Annual Supplier base analysis	Check annually the suppliers with the biggest spend	Thorough impact based supply base assessment with the help from CSR and Risk Management organizations
Name single point of contact	SPOC named, reactive approach	Named SPOC proactively manages the entire process
Inform relevant stakeholders in all stages	Last minute information to stakeholders	Create annual plan, inform the plan at early stage and keep informed throughout the entire process
General communication	Update intranet	Update and keep updated intranet, external supplier pages and share information in internal social intra
Standard stakeholder communication	Create standard Q&A and answer to possible questions with it	Create standard templates for the communication in each step to keep stakeholders informed throughout the entire process
Standard process (the way suppliers are treated is standard)	Minimum standard communication towards suppliers	Implement standardized process with readymade templates to ensure all suppliers are well informed in a standardized manner.
Supplier self-assessment	A quick word/excel based supplier self-assessment survey	An electronic supplier self-assessment survey which is easy to use and has informative scorecard (presents overall score and showstoppers in one view)

First of the most important how's was annual supplier base analysis. Low value was checking annually the suppliers with the biggest spend. High value was a thorough impact based supply base assessment with the help from CSR and Risk Management organizations.

Second was the naming of the single point of contact (SPOC) for the program. Low value was the single point of contact was named but this person had a reactive approach. High value was that the single point of contact was named but this person had a proactive approach.

The third on the list was the informing of the relevant stakeholders in all program stages. Low value was last minute information to relevant stakeholders in all stages. High value was a creation of an annual plan, informing the plan in early stage and keeping the stakeholders informed during the entire program.

The fourth most important how's was creating general communication material. Low value was updating the intranet pages. High value was updating and keeping updated intranet, external supplier pages and sharing information in internal social intranet pages.

The fifth on the list was standard stakeholder communication. Low value was creating standard Questions and Answers list and answering to possible questions by referring to it. High value was creating standard templates for the communication in each step to keep stakeholders informed throughout the entire program.

The sixth most important how's was treating suppliers in a standardized manner in each step. Low value was minimum standardized information. High value was implementing a standardized process with readymade templates to ensure all suppliers are well informed in a standardized manner.

The last of the most important how's was creation of supplier self-assessment survey. Low value was creating a quick word or excel based supplier self-assessment survey. High value was creating an electronic supplier self-assessment survey which is easy to use (both suppliers and the Case Company) and has informative scorecard (presents overall score and showstoppers in one view).

Then sixteen different process options were drafted by randomly selecting low or high values. Five person were scoring the process options from time consumption and stakeholder satisfaction point of view. Scoring scale was from -10 to 10:

- -10 was significant negative impact (extremely time consuming / very dissatisfied),
- 0 was no impact (reasonable time consumption / sufficient stakeholder satisfaction) and
- 10 was significant positive impact (very low time consumption / excellent stakeholder satisfaction).

A two level factorial design for seven factors (the most important how's) were created in 1/8 factorial form and analysed by Minitab. Statistical significance, factorial plots and optimization plot analyses were utilized.

The figures 16 shows the statistical significance of the most important how's in relations to time consumption. Statistically only three out of seven how's had significant effect on time consumption. These how's were standard process towards the suppliers, general communication and annual supply base analysis.

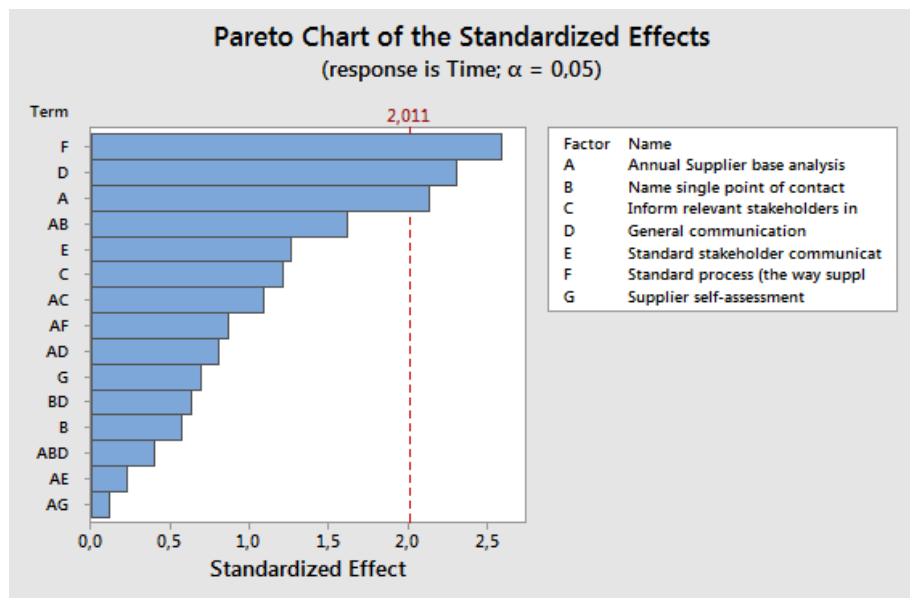


Figure 16 – Most important how's effect on time consumption

In order to understand how the low and the high values of these how's effect the program time consumption I used factorial plots analysis. From the figure 17 we can see that the effects are quite similar with all of the significant how's: when low values were used the

effect on time consumption was low (just below 0, which meant no impact) and with the high values the effect on time consumption was higher (from -3 to -3.5). Sounds logical that with low value the effect is lower and with high values the effect is higher. Still it was a bit surprising to see that the effect on time was not higher with high values.

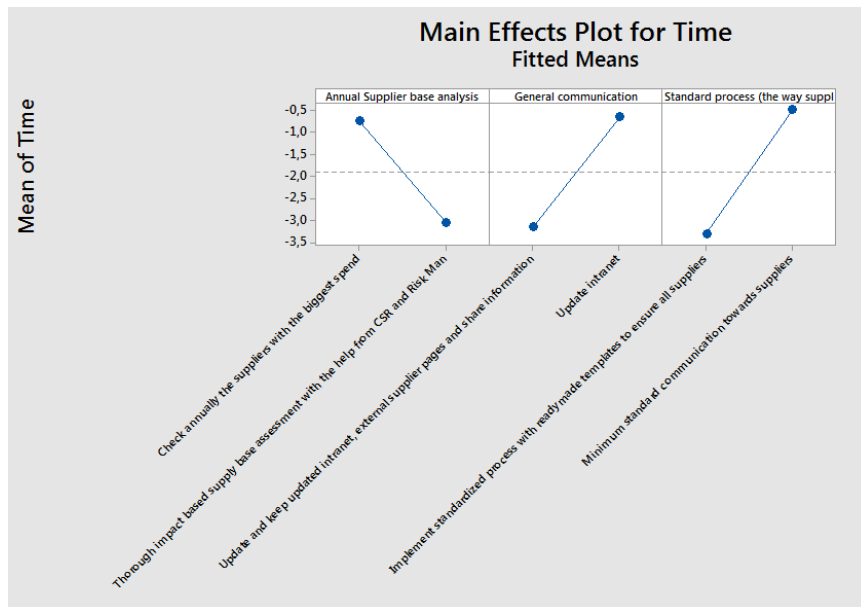


Figure 17 - Significant how's effect on time consumption

When looking the stakeholder satisfaction in a similar way than we took a look at the time consumption in the previous paragraphs we can see from figure 18 that there were two statistically significant how's. These were supply base analysis and supplier self-assessment survey. In addition it became clear that there was no remarkable relations between the how's. This is because in the figure 18 any how's together (for example AB) does not have higher effect than these how's alone (A+B) had on stakeholder satisfaction. On the contrary actually.

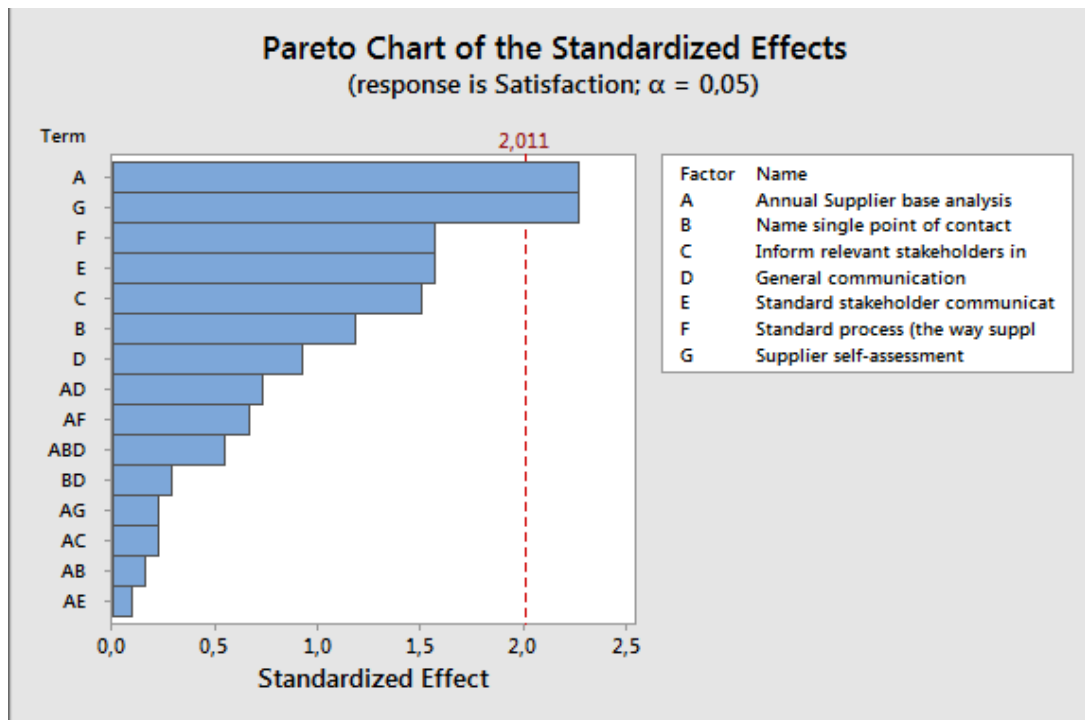


Figure 18 - Most important how's effect on stakeholder satisfaction

When looking at the low and high value effects of these two statistically significant how's on stakeholder satisfaction we can see that with low values there was lower stakeholder satisfaction than with higher values. Furthermore, with low values both how's have nearly no impact on customer satisfaction (because the score is very close to 0, which meant no impact).

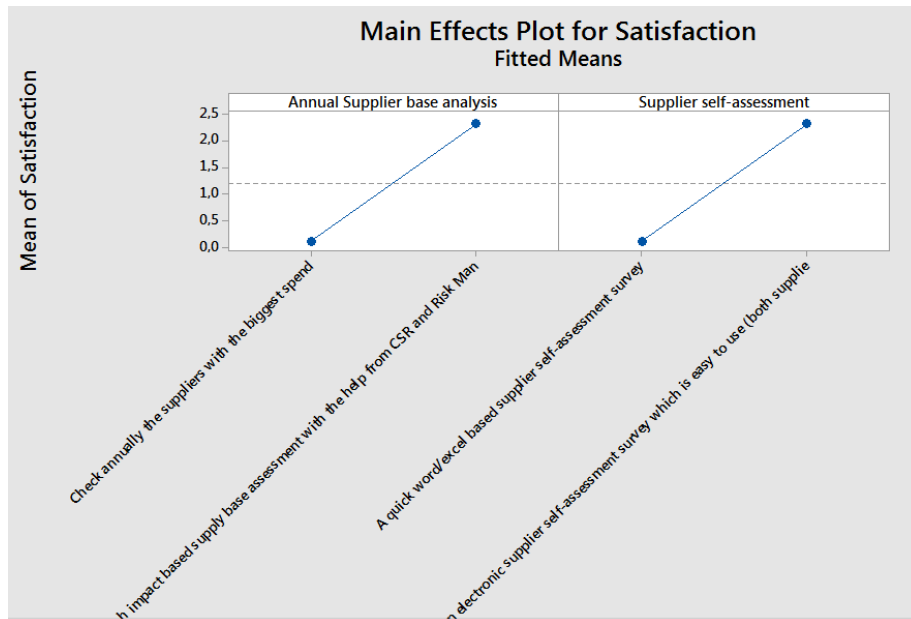


Figure 19 - Significant how's effect on stakeholder satisfaction

Lastly optimization plot was utilized to calculate optimal solution and draw the plot. In the figure 20, the time efficiency and stakeholder satisfaction were maximized and with these goals the optimal low and high levels for the most important how's were calculated. The figure shows three times seven table where on the columns present the effect of the most important how's and on the rows present the maximized time efficiency, maximized stakeholder satisfaction and on the composite desirably (the combination of these two maximizations) on the top. Optimized process is highlighted with red font and the effects of the optimized process are represented with the vertical red lines. The horizontal blue lines and numbers represent the responses for the values of optimized how's.

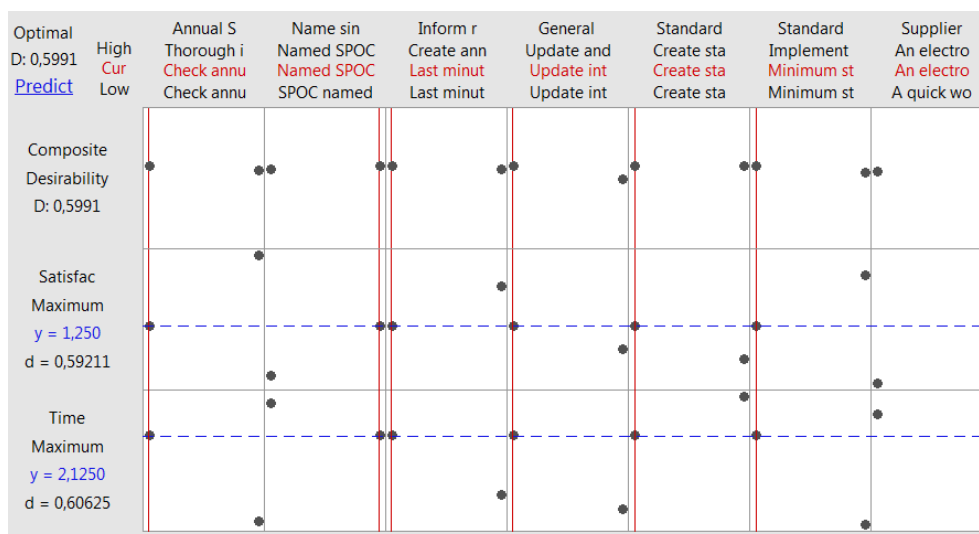


Figure 20 - Optimizer plot for the most important how's

From these Design of Experiment analyses I drew a conclusion that the optimal process to pilot-test would be the following: annual supplier base analysis low value, single point of contact high value, informing relevant stakeholders low value, general communication low value, standard process towards suppliers low value and supplier self-assessment high value. The results from DoE are not written in the stone and when more information and experience is gathered the process should be aligned accordingly. Never the less the DoE gives very good educated guess and starting point for concrete pilot-tests.

The optimized process is also presented Table 6. The blue highlights show the optimized low or high value and the red line represents the process of optimized most important how's.

Table 6 - The most important how's optimized

Low	How's	High
Check annually the suppliers with the biggest spend	Annual Supplier base analysis	Thorough impact based supply base assessment with the help from CSR and Risk Management organizations
SPOC named, reactive approach	Name single point of contact	Named SPOC proactively manages the entire process
Last minute information to stakeholders	Inform relevant stakeholders in all stages	Create annual plan, inform the plan at early stage and keep informed throughout the entire process
Update intranet	General communication	Update and keep updated intranet, external supplier pages and share information in internal social intra
Create standard Q&A and answer to possible questions with it	Standard stakeholder communication	Create standard templates for the communication in each step to keep stakeholders informed throughout the entire process
Minimum standard communication towards suppliers	Standard process (the way suppliers are treated is standard)	Implement standardized process with readymade templates to ensure all suppliers are well informed in a standardized manner.
A quick word/excel based supplier self-assessment survey	Supplier self-assessment	An electronic supplier self-assessment survey which is easy to use and has informative scorecard (presents overall score and showstoppers in one view)

4.2.3 The Supplier Sustainability Program

In this chapter I explain how I combined information from previous steps and drafted first versions of the Supplier Sustainability Program. When I started to draft a picture

explaining the Supplier Sustainability Program I stepped back to see what has been defined so far. There were a long list of findings, identified steps and company specific ideologies. I felt that I needed a high level picture to explain myself the overall idea of the Program.

From this wider perspective the developed Supplier Sustainability Program can be described with three pillars; require, assess and improve (see figure 21). First pillar is the require pillar which means that requirements and expectations should be clearly communicated to suppliers and other parties involved. Related to this step the homepage of the Case Company was updated to be more informative for the suppliers. Also the Intranet was updated. Requirements should always be aligned with the customer requirements and the goals and strategies of the Case Company. The Case Company requirements are set in the Supplier Code of Conduct which has been led from internal Code of Conduct.



Figure 21 - Fundamental idea of Supplier Sustainability Program

Second is the assess pillar which includes supplier self-assessments, risk assessment and supplier on-site audits. This pillar was somewhat identified already during the benchmark and was finalized with the Quality Function Deployment and Design of Experiment analyses. Most of the visible activities within the Program are connected to this pillar. The third pillar is improve, which means supporting those suppliers who do not reach the expected level to improve their practices. The third pillar includes creating and following-up the Corrective Action Plan together with the supplier.

The Case Company has a respectful ideology that ending the relationship with supplier that is not reaching the expected level is the last resource. This is because the Case Company sees that in many cases withdrawing or refraining from business can have unethical consequences to the people and communities involved. Therefore the Case Company rather uses their influencing power to change the practices of their suppliers instead of leaving the supplier (and the employees of the supplier) to manage on their

own. Therefore the improve pillar was found to be one cornerstone of the Supplier Sustainability Program.

The wider perspective picture was found very helpful when explaining the idea behind the Supplier Sustainability Program. However, it was not informative enough to understand what actually is included in the Program. Hence more detailed perspective to the Supplier Sustainability Process was needed. In this perspective we can see four main areas; assessment of the requirements, assessment of the supply base, supplier self-assessment and follow-up (see figure 22).

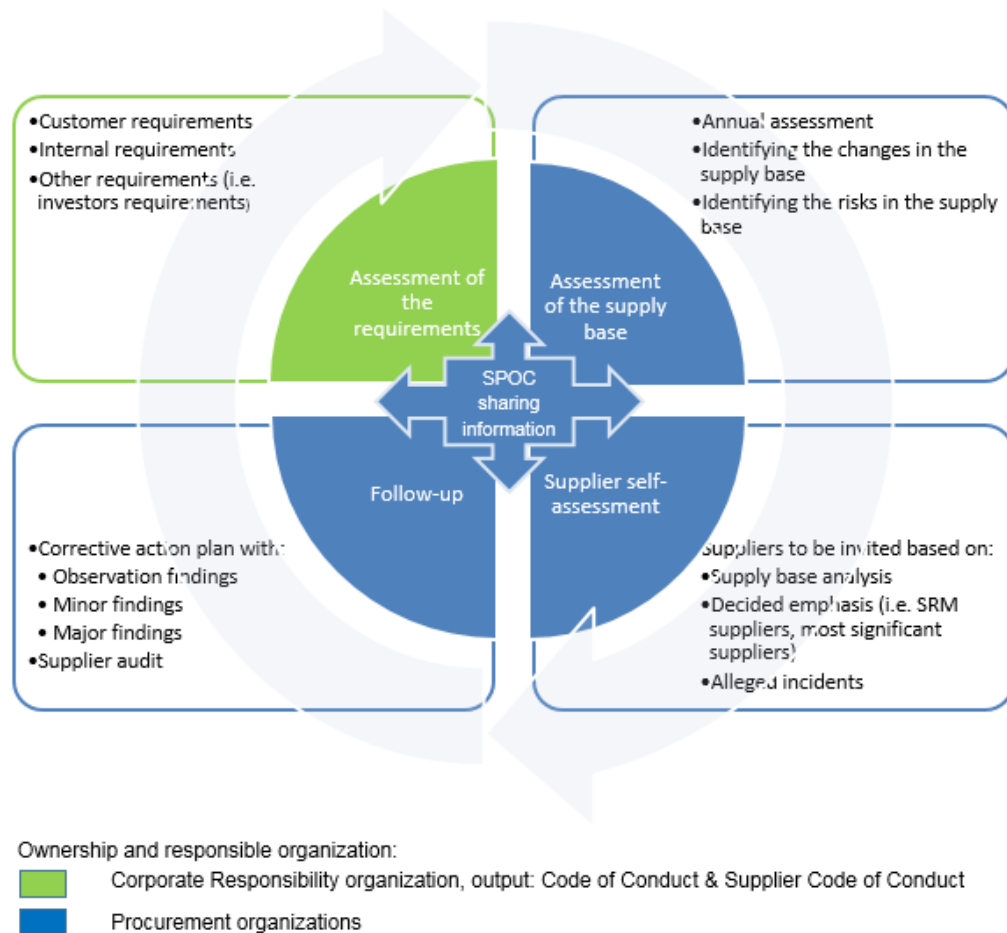


Figure 22 - The Supplier Sustainability Program

The assessment of the requirements include collection of customer requirement, internal requirements and other requirement from the society. This assessment is done by the CSR organization of the Case Company and to highlight this visually the background colour is different from the others. The outcome from this assessment is the internal Code of Conduct Policy. The external Supplier Code of Conduct is always being

aligned with internal Code. This assessment of requirement is done rather independently from Supplier Sustainability Program, however, the Program is influenced remarkably by this assessment. For this reason the assessment of the requirement is shown as one steps in the Supplier Sustainability Program.

The responsibility of the Procurement organization starts with the assessment of supply base. The named single point of contact (SPOC) is conducting the assessment on an annual basis. The assessment includes for example assessment of changes in the supply base and risk identification. The supply base assessment was done for the first time from CSR point of view and it included identifying the most significant and riskiest suppliers. Most significant suppliers were mostly identified based on annual monetary spend (as optimized in DoE analysis) and the dependency the cases company has on these suppliers.

With the riskiest suppliers the initial plan was to draw conclusions based on category and country of origin of the goods or services. With DoE results the plan changed into including only the suppliers with the biggest spend. With the original target of risk mitigation in mind it was recognized that by narrowing the supplier scope to the biggest spend suppliers would prevent risk mitigation of medium and small spend suppliers. Hence it was decided that the focus of the first year was the most significant suppliers (including suppliers with the biggest annual spend and all suppliers in the Supplier Relationship Management program) and in this would be re-considered for the second year.

The next step in the Program is the Supplier Self-assessment Survey. In general the survey includes CSR areas that the sending company finds to be the most important. The Case Company includes questions related to human rights, labour conditions, environment and corruption. The idea is that the suppliers are not only asked about policies in place but also processes and practices. With this the aim is to see whether the aspects have been really implemented and whether the suppliers are living the values. The Self-assessment questions are shown in Appendix 2.

The self-assessment can be send out to suppliers in many different forms. However with DoE results in mind and with ICT Company in question I decided to create a survey in an electronic form. At first I took a closer look at external service providers (such

as EcoVadis and Sedex). They were with such a short notice, without proven business case and due to high fees quite soon excluded.

Internally there were three available tools (including the eSourcing tool and two survey tools) and all of them were tested to see which would be the best one. I decided to proceed with the existing eSourcing tool because it was the only one that could provide scorecard of the responses. The tool is not the optimal for these kinds of evaluations and especially the fact that it is a stand-alone tool and lacking connection to the ERP system of the Case Company. This will cause extra manual work. Also there is no functionality allowing the follow-up tasks (i.e. corrective action plan) to be added or possibility to follow the development of suppliers over the years.

However the supplier self-assessment survey was built into the eSourcing tool and autoscore, weighting and showstopper-signs were utilized in order to create view where with one glance one could see the suppliers that fulfil minimum requirements and the suppliers that need to be investigated more into details.

Last step in the Supplier Sustainability Program is the follow-up step. Based on the self-assessment results there might raise findings that need to be addressed. These findings are divided into observation, minor and major findings. Depending on the finding there are different approaches to take; observation is shared with the supplier but not necessarily followed up further and action plan with minor and major findings are agreed together with the supplier. Major finding may result in a supplier on-site auditing, depending on the finding. On-site auditing has been something that the Case Company has done every now and then, and mostly as part of internal on-site audits. However now with the Supplier Sustainability Program the Procurement organization has more influence on the selection of which suppliers to be audited.

In the middle of the circle there are arrows presenting that the named single point of contact (SPOC) is sharing information to relevant stakeholders. In the Design of Experiment analyses the how's related to communication were mainly optimized to be low value. Still named SPOC was optimized to communicate in a proactive manner (high value). Figure 22 is following the results from DoE analysis with proactive named SPOC (high), general communication (low), standard stakeholder communication (low) and standardized supplier communication (low).

Also an ad-hoc practice was defined for the case where prompt actions are required (i.e. alleged incidents). The steps in the ad-hoc practice are the following:

1. Deviation detected by the Supplier, the Case Company or other third party
2. The supplier is asked to explain and describe the deviation formally to the Case Company.
3. The supplier is asked to formally respond to a specific Q&A based on the situation (managed by the CSR and Procurement departments of the Case Company)
4. The Case Company analyses the response if it meets the requirements of the Supplier Code
5. An action plan is prepared and followed up jointly by the parties (the corrective action plan template to be used).
6. Continuous monitoring is performed in the governance structure that is agreed with the supplier (part of Supplier SRM program if relevant).

The Supplier Sustainability Program is shown as a circle to highlight the fact that the Program is intended to roll over the years. While drawing the process the idea is to invite the most significant suppliers every two to three years to participate. Some of the suppliers have been supplying goods and/or services to the Case Company already decades and hence it is likely that some of the suppliers will be invited to participate for many times in the future years to come.

4.2.4 Pilot-test

As mentioned earlier, based on the supply analysis it was decided that the Supplier Sustainability Program would be started with the most significant suppliers. Instead of starting with all of them I decided to first pilot-test the program in order to find and repair possible lapses in the program. I contacted all the category managers and based on spend and their assessment of importance and dependence the suppliers were selected category by category.

The program was first pilot-tested with 2 categories and 22 identified companies. Before sending out any invitations, category managers contacted the companies and gave a heads up for the upcoming survey and asked them to inform if the survey should be sent to some other contact person within their company. Then these companies were invited to take part in the self-assessment survey. We tested two alternative

approached with the invitations and the first approaches with the first category was that I acted as a Single Point of Contact (SPOC) and sent out the invitation e-Mail and the eSurvey. And the second approach with the second pilot-test category was that the category manager sent the same e-Mail invitation and the eSurvey.

Initially the supplier were given about 6 weeks' time to respond. This response time was found to be sufficient with majority of the companies. However it was also noticed that some of the companies did not have a settled way of handling these kinds of surveys and they needed the 6 weeks to even decide who would be the correct person(s) to respond to the survey. We extended the response time to 8 weeks and during this period of time 16 out of the 22 invited suppliers had given their response. The remaining 6 suppliers gave their responses at the end (after several reminders and contacts from the Case Company). These 6 responses, however, were excluded from pilot-test due to the fact that we needed to proceed with the next steps of pilot-testing the Supplier Sustainability Program.

We did not see any difference in the response rate or time based on who was sending out the invitation e-Mail and the eSurvey. However companies in the first category (one with SPOC sending out everything) the suppliers managed to more often send their questions to SPOC as they were instructed to do in both categories instead of contacting different persons within the Case Company.

Next I went through the 16 responses with the help of CSR organization and we compared the follow up actions that we could instantly see from the 'one glance' -view (a view that the tool gave based on our preliminary weightings of the questions, autoscoring and showstoppers). It was found that the 'one glance' -view was somewhat stricter than anticipated and highlighted parts of the responses from 10 out of the 16 companies. We had marked some international recommendations (such as the adaptation of the Guidelines for Multinational Enterprises) as mandatory even though in practice they were actually only good to have a few and quite irrelevant to smaller companies. However afterwards we did only small adjustments to the survey because we decided that it was actually good that we can see not only the issues but also the potential issues at one glance.

Next in the pilot-testing phase we drafted four different letter templates for the following cases:

1. Thank you letter for the companies whose response did not raise any concerns
2. Thank you letter for the companies whose response raised observations. These observation, however, were so minor that our intention is only to inform these to the suppliers (no follow-up actions from our side).
3. Thank you letter for the companies whose response raised minor findings that needed to be followed-up by the supplier and reported to the Case Company within a period of a time.
4. Thank you letter for the companies whose response raised major findings that needed to be followed-up together and escalated.

After analysing the responses we sent out 12 thank you letters to companies whose response did not raise any concerns and 4 letter with observations. All of the four letters that had observations went to companies that did not have official Environmental Management System in place. All of these companies, however, operates in industries with very low environmental impacts and they also explained practical things that they do in order to minimize their environmental footprint. Due to this combination (low environmental impact and practices to minimize environmental footprint in place) we did not see the need to require more from these suppliers. Therefore there was no need to take Corrective Action Plan into use.

Two companies also responded that they do not adopt the principles of the United Nation Global Compact principles. However, both of these companies claimed to be compliant with the Supplier Code of the Case Company. This was interesting to find out since the Supplier Code is built based on the United Nation Global Compact principles. The reason for this was that the term 'adopt' was interpreted very strictly by the responding companies and since they were not signatories of the UNGC they felt that they are not entirely adopting the principles either. On the other hand we also got a feeling that the UNGC principles might be a bit unfamiliar to a couple of these companies.

The pilot-testing took place from April to July 2015 and based on the responses we were able to fine tune our questionnaire, draft letters for future use and test the most parts of the Supplier Sustainability Program. During the pilot-test I also drafted the Corrective Action Plan excel even though we did not have an opportunity to test it.

4.3 Observing

After pilot-testing the Supplier Sustainability Program was implemented and hence expanded to include all eight categories with the identified most significant suppliers. Category by category about 100 suppliers were invited by the end of 2015. The observation phase took place from the beginning of August to the end of September 2015 and during this time the remaining 6 pilot suppliers finalized the self-assessment and follow-up phase. In addition also 18 suppliers from categories that were invited in August, after the pilot phase, also finalized the self-assessment survey.

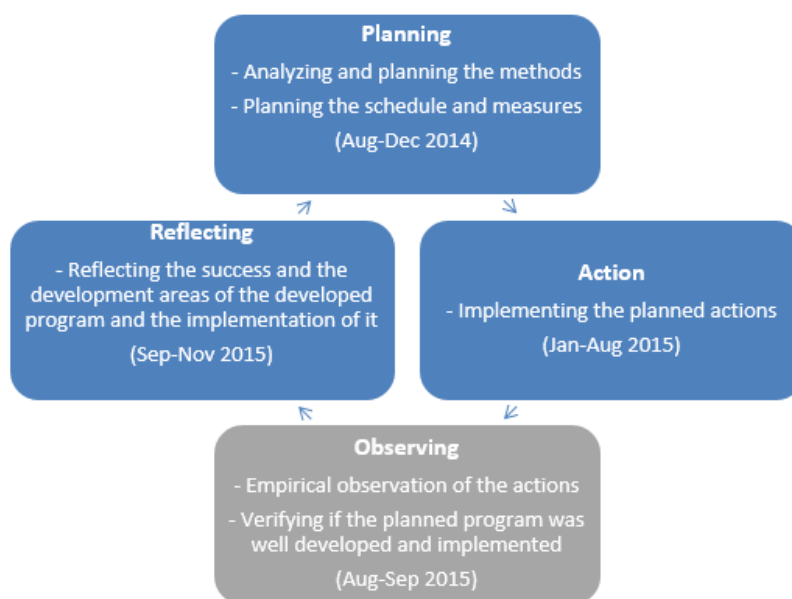


Figure 23 - The observing phase in the Action Research Circle

At the beginning of the observation step (see figure 23) I decided that it was good to invite suppliers in smaller groups (from two to three categories at a time) and not all at once since during the pilot-test it proved to be somewhat laborious to facilitate the process. Especially the fact that even we had collected the correct contact persons, often the supplier wanted to change or add a new contact person. Creating a new user to the tool and including this person to the survey are always manual tasks for the Case Company.

We also decided to use SPOC approach and hence one person handled all the invitations and surveys. Category managers still contacted the suppliers first and collected the correct contact persons. Even with the SPOC approach the suppliers were sending

questions to different persons within the Case Company and not to the ones they had been instructed. Hence even with focus on communication (especially internal), it felt that there was always someone who was not being informed. The amount of e-mails during the self-assessment surveys is massive.

I already in the piloting phase tried to increase the motivation of suppliers to give their response in time by adding a letter from the Chief Procurement Officer to the invitation. It was also highlighted in the invitation that the responding to the survey is mandatory. Still we needed to send reminders and even call to the contact persons to find out why they were not responding.

It was also evident that the knowledge and preparedness of the suppliers in this area varied greatly. Some suppliers were mature in the Corporate Social Responsibility area and could answer the survey in matter of hours. Whereas other suppliers needed a great deal of consulting, explaining and convincing before they could give their response.

We could also see great difference in the attitude that the suppliers had towards the entire Sustainability Program. With certain suppliers we faced challenges even prior to logging-in to the tool (i.e. with Non-Disclosure Agreement) which could take several weeks to overcome. Some suppliers also referred to common agreements that did not mention this kind of survey as mandatory to fill. Which for me personally reflected a bad attitude towards the program. Overall all of these seemed to be just excuses for trying to get rid of the burden of responding to the survey and that really had remarkable impact on the workload and the lead time of the program.

We decided to send one survey for each category and since some of the suppliers did not response promptly, it affected the time schedule of the entire category. In the pilot-test phase we did not wait for all responses before taking the next step and found that this caused more things to remember because one needed to remember the progress supplier per supplier in the program instead of an entire category being at the same phase.

4.4 Reflecting

In the reflection phase I am stepping back a bit to see what has been done and what lessons could be learned for the future. As shown in the figure 24 the idea is to find the successes and the areas that need development of the Supplier Sustainability Program during the implementation of the program.

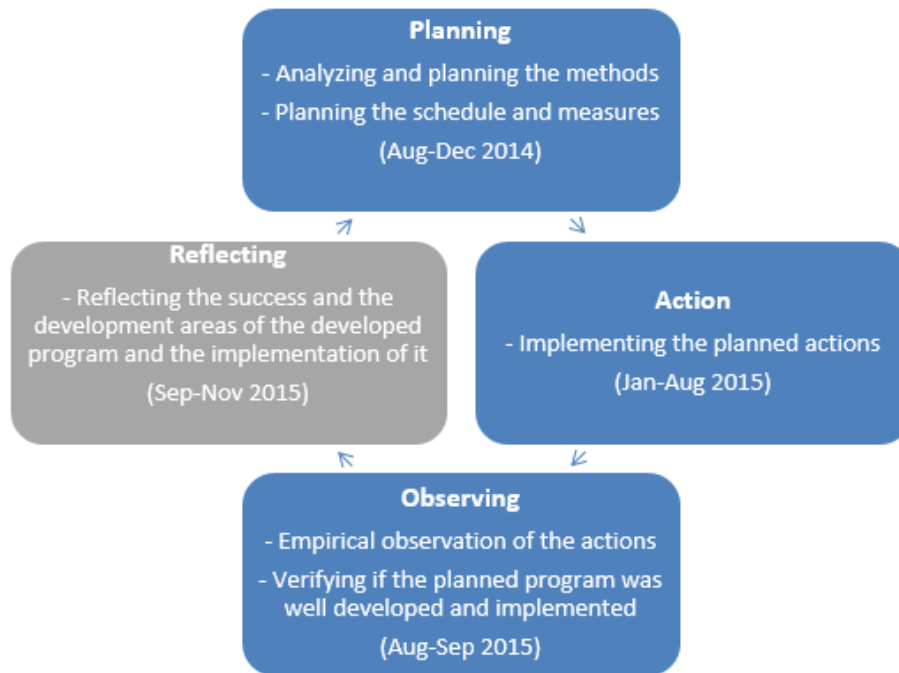


Figure 24 - The reflecting phase in the Action Research Circle

At first, the benchmark conducted together with the literature review in the beginning gave me a broad understanding of what kind of Supplier Sustainability program is generally considered as a good one. Next step was to understand what kind of Supplier Sustainability Program would be good for the Case Company. This was done in several workshops along the way (in the planning, action and observing phases) and with the help from Six Sigma tool (Quality Function Deployment and Design of Experiment). I have developed the program with learning by doing attitude which has been a flexible way of working.

I have kept a diary of the milestones, and findings along the way and feel that this diary would lead to similar decisions if the Program were to be developed again. Also the fact that the best practices identified during the benchmark actually have found their way to the developed program without me driving these verifies our development work.

Because of this I would also claim that with the same process the results would be quite similar in other companies and even in other industries as well. I also stated at the beginning of this thesis that the results of this thesis are not intended to be generalized, now however, I would say that in most parts the results could be generalized.

When looking back, there are couple of things that should be highlighted. First of all the selection of workshops as main method of development way of working was an excellent choice. Internally at the Case Company there has been very good workshop facilitation trainings and the people are used to working in workshops. These aspects and good preparation work made the workshops really efficient. In addition to gaining valuable information and input from the workshops they also increased the commitment and interest from the participants.

The second thing to highlight is the Supplier Self-assessment Survey which was drafted, updated, piloted and fine-tuned to really fit the purpose. All the questions were tailored for the Case Company. The responses are easy to submit and since they were in an informative and electronic form they were also easy to evaluate. All the autoscores, weightings and showstoppers really help with the evaluation of the responses. During the past couple of years I have been able to see many self-assessment surveys sent to the Case Company and I must say that the now developed survey is really at the high-end of these. I have only seen one survey that has been clearly better than the created one and that is a platform created by third party Company whose sole business is to provide these assessments as a service for its customers. Usually the surveys are in excel or word formats and they are large and somewhat unclear files delivered via e-mail, cannot be simultaneously filled in by many people within one company and I would guess that the evaluation of the responses is not any easier than the responding.

A clear development area is the scheduling of the development work. Initially I planned to develop and write about the development mainly during the office hours. However, I didn't take into account that the development work is not totally predictable and that there are limited resources available. And the more the development project was delayed the more also other projects kept coming. Quite soon I found myself writing this thesis mainly during the weekends.

Another area for development is the supply base risk assessment. From the Case Company ERP system one can only see the invoicing country of the supplier which prevents us utilizing identified country and category risk indices (such indices are i.e. Education Index by United Nations Development Programme (UNDP), Child Labour Index by Maplecroft, Employed working poor by ILO Global wage report, Corruption Perception Index by Transparency International and Human Rights Risk Atlas by Maplecroft). Because the target of the Supplier Sustainability Program is to mitigate risks I recommend that the Case Company investigate possible other alternatives for the future years. This recommendation is not aligned with the Design of Experiment results where the annual supplier base analysis was optimized to low value (including only the suppliers with the biggest spend). I think we got the results due to the fact that none of the participants contributing to the DoE analysis were from CSR organization and unfortunately I feel that this aspect might have been underestimated without CSR participation.

The development work was done mainly with colleagues in Procurement and CR departments, meaning that in relative small group of people was actively part of the development work. I would have wanted to include more people from the direct customer interface. However, quite soon noticed that these people have very limited if any resources for internal development projects due to the fact that they are mostly working with busy customer projects. I did, however, manage to include couple of people from the business side who clearly had also strong personal preferences on building more sustainable future.

The Supplier Sustainability Program is currently from official policy point of view still an unofficial program with limited linkage to other on-going processes. It would have been an excellent achievement to be able to drive the program as an official process of the Case Company, however, I must confess that I do not miss the writing of the official process description, the drawing of the official process charts or facilitating the slow approval flow. And I don't expect this to have any impact on the continuation of the program, after all the Supplier Relationship Management Program among many other programs has been running smoothly as an unofficial processes for years now.

From the implementation point of view I think that it was a really smart decision to pilot-test the program. This led to some quick improvements and most importantly changed our initial idea of sending the survey to all the most significant suppliers at once. Now

seeing the amount of work the program generates, I feel that eating the elephant in pieces gives more professional picture of the Case Company because also the support needed is promptly available.

Last reflection is related to the difficult task of communication. The importance of the information and communication was highlighted in the QFD results, however, communication played only light role in DoE results. Due to this contradiction I expect to fine-tune the communication many times in the future.

5 Summary

In this chapter the development phases and the implemented Supplier Sustainability Program steps will be summarized. In addition, the learnings and reflections along the way are considered in order to draw final conclusions of the development project and highlight further considerations for the future.

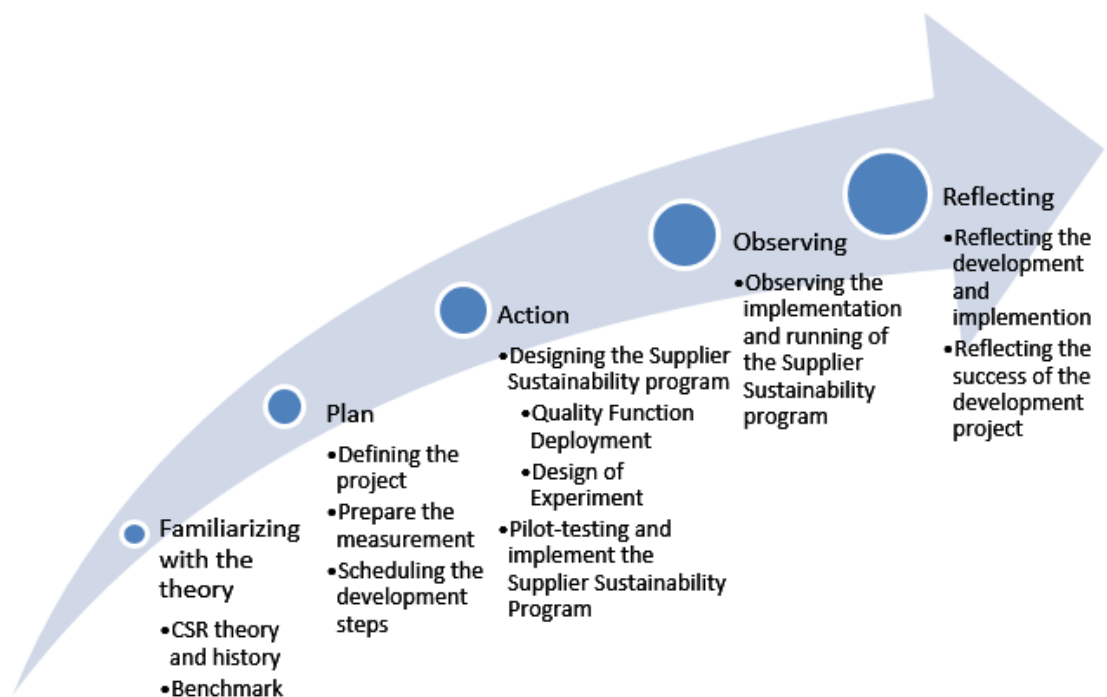


Figure 25 - Summary of the phases in the development project

In the planning phase the project itself together with measurements and schedule was defined. The Action phase was all about creating the Supplier Sustainability Program. The figure 25 summarizes the phases during the development project. The project was kicked-off in August 2014 with bunch of qualitative needs. I started with familiarizing myself with the subject by studying the Corporate Social Responsibility and Sustainability theories which gave me a very good overall understanding of the desired Program. The benchmark of 15 companies gave deeper insight of the ways the due diligence obligations are fulfilled in the market.

The Quality Function Deployment was used in order to transfer the qualitative need into quantitative parameters. The Design of Experiment was utilized to optimize the process. As soon as the first version of the Program was ready it was pilot-tested with two categories. Findings from the pilot-test were utilized to fine tune the Supplier Sustainability Program before the Program was implemented to all identified suppliers.

In the Observation phase the Program was fully implemented and the impacts and side effects were empirically observed. The focus in this phase was to observe if the planned Program was well developed and implemented. At the final the reflection phase, I considered the success and the development areas of the Supplier Sustainability Program.

The actual outcome of this development project, the Supplier Sustainability Program, consisted of four steps; the assessment of the requirements, the assessment of the supply base, the supplier self-assessment survey and the follow-up actions. The target of the development project was to create a due diligence program which aims at systematic Corporate Social Responsibility risks mitigation in supply chains. CSR risks for the Case Company are environment, human rights, labour rights and corruption related negative impacts that the supply chains may have.

The entire program is based on assessment of requirements. Internal and external requirements for the Case Company's ethical behaviour is assessed by internal CSR organization and as an output there are the internal Code of Conduct and external Supplier Code of Conduct. The Procurement organization is responsible for the rest of the Program steps and have named a SPOC to facilitate the Program.

Assessment of supply base includes identifying changes and possible risks in the supply base. The supply base assessment is done annually. Based on supply base analysis, decided emphasis (special focus on some group of suppliers i.e. suppliers that are part of the Supplier Relationship Management Program) or alleged incidents (i.e. alleged by media) parts of the suppliers are invited to respond on self-assessment survey.

The Supplier Self-assessment Survey is conducted as an electronic survey that is tailored for the Case Company. The idea is that the suppliers are not only asked about policies in place but also processes and practices. With this we aim to see whether the suppliers are living the values. The Supplier Self-assessment Survey results might reveal room for development and in these cases together with the supplier, a Corrective Action Plan is agreed and followed-up. An on-site audit takes place when the Corrective Action Plan is not seen as sufficient means.

5.1 Conclusions

In order to be able to conclude the development project I am stepping back to August 2014 and to the kick-off workshop. As an outcome from the kick-off workshop there were four main needs identified. Firstly it was identified that there needs to be a process to evaluate the sustainability in the supply chains (framework for proper administration of supply chain sustainability). This need has been fulfilled with the annual supply base analysis which includes assessment of the supply base changes and risks together with information of the supplier significance to the Case Company.

Secondly it was identified in the kick-off workshop that there needs to be a process to handle ad-hoc situations (i.e. alleged incidents) in supply chain. This need has been fulfilled with a separate instructions for ad-hoc situations. According to the instructions, the suppliers with alleged incident are always invited to take part in the Supplier Sustainability Program.

Thirdly it was identified that there needs to be means to recognize relevant risks and reducing the likelihood of incidents. Referring to the first need, this has also been fulfilled by including risk assessment as part of the supply base assessment.

Last of the four identified needs was the need for clear internal roles and responsibilities. This need has been fulfilled with clear division of responsibilities between the CSR department and the Procurement department. In addition any possible lack of clarity between the roles in the Program was clarified by naming a single point of contact to facilitate the entire Program. All the needs identified in the kick-off workshop and the fulfilment of these needs have been collected in table 7.

Table 7 - Conclusions of the fulfilment of the initial needs set to the Program

Identified need	Fulfilled (Yes/No)
Process to evaluate the sustainability in the supply chains (framework for proper administration of supply chain sustainability)	Yes
Process to handle ad-hoc situations (i.e. alleged incidents in supply chain)	Yes
Recognize relevant risks and reducing the likelihood of incidents	Yes
Clear internal roles and responsibilities	Yes

When considering the developed Supplier Sustainability Program from the kick-off workshop point of view, all the identified needs have been fulfilled. I also wanted to understand how well these needs were fulfilled. Therefore I conducted a quick stakeholder survey. In addition to the needs identified in the kick-off workshop I also asked what overall grade would describe the Supplier Sustainability Program the best. The questions had a scale from one to five where one equals to the program not serving the needs of the responding person/organization and five equals to the program serving the needs of the responding person/organization in a structured and systematic way.

The survey was sent to 19 people including the participants of the kick-off workshop and in addition to these persons I also invited colleagues who had participated to the development of the Program at some stage. I received 8 responses. The questions and the average scores are presented in the figure 26. Average score of all five questions was 4.2.

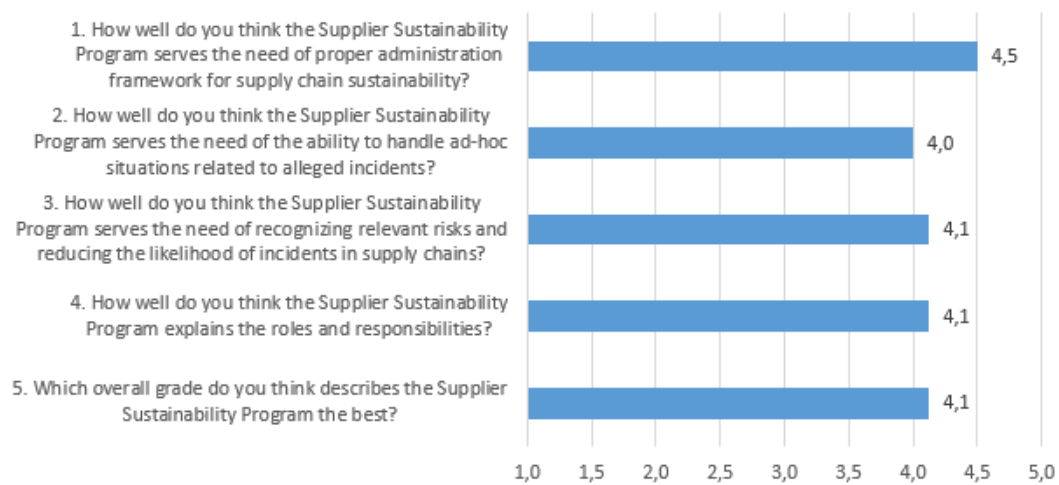


Figure 26 - Questions and average scores of the stakeholder satisfaction survey

The target of this thesis was to implement a Corporate Social Responsibility due diligence program for the suppliers of the Case Company and this way achieve systematic means to mitigate Corporate Social Responsibility risks in supply chains. Now the Case Company has an implemented Corporate Social Responsibility due diligence program which was rated with overall score of 4.5/5 in a stakeholder satisfaction survey.

The benchmark conducted together with the literature review in the beginning of this development project gave me a broad understanding of what kind of Supplier Sustainability program is generally considered as a good one. By consistently and systematically developing the Program for the Case Company I have found out what kind of Supplier Sustainability Program is the most suitable for the Case Company. The research problem was stated in the beginning as the means to evaluate Corporate Social Responsibility in the supply chain are missing. With the Supplier Sustainability Program the Case Company now has means to evaluate CSR in its supply chains.

5.2 Further considerations

While writing these last paragraphs the Corporate Social Responsibility is the main topic in media in the Nordics. Information leakage or hacking in Panama (a well know tax paradise) has started a massive hunt of companies (in the first phase mainly banks)

and individuals that have aggressively planned their taxation. The news is all over the media, businesses are under criminal investigations and politicians are being asked to leave their positions. Following this exponentially expanding Panama case it is easy to see how short-term profit maximization with the expense of sustainability can seriously backfire.

Companies need to analyse their vulnerability and implement CSR practices accordingly. As stated earlier in the chapter 3.5.1 (and is visible also from the Panama case), it is not enough to cover legal obligations since that alone does not guarantee the corporation to be socially responsible. All companies should be well aware of their impact on society and environment. Hence I recommend that the Case Company to go deeper with the annual supply base assessment phase. According to DoE analysis the step is currently optimized to low value, however, I suggest next year to go with the high value with thorough impact based assessment.

By definition, businesses have to maximize their shareholders profit which means that in a long run CSR should generate more than what is invested in it. While CSR is not about making money however it should not result in a company making a loss either. And according to CDP Climate Change Report 2014 it was clear that CSR is not making loss, on the contrary, companies investing in sustainable business were even paying more dividends to their shareholders. Even with existing linkages between SCR and profit still there are always people doubting the 'extra effort'.

I have been often asked why the Case Company should invest in Supplier Sustainability Program. I have replied by explaining how sustainability is a strategic choice made by the Case Company, how important it is to avoid incidents, how the Case Company can attract new employees, customers, suppliers and partners with sustainable business operations and solutions, how the global trends are highlighting sustainable business opportunities and so on. None of these explanations however have not been as efficient as one real life example along the way where the self-assessment survey revealed that a long-term supplier was lacking an Environmental Management System (EMS). With our intensive help the supplier implemented an Environmental Management System. Due to EMS the supplier has been able to significantly reduce their electricity consumption which also lead to lower service fees for the Case Company.

For me this shows that not only the environment and society benefits from the Program but also the participants (the supplier and the Case Company). There are different kinds of benefits and monetary savings in this case are only the tip of the ice berg when it comes to the positive change in the business relationship.

The Case Company sets high standards to its economic, legal and ethical responsibilities. My last consideration for the future is that in order to fully benefit from the high standards or to be able to even improve from the current situation I feel that the Case Company should cooperate with other companies and with non-governmental organizations more. With cooperation it is not only possible to influence the market trends, gain latest information, learn the best practices, get help and support but also let other know that the Case Company is interested and proactive in the sustainability area. Currently the Case Company is cooperating with several NGO's and benefiting from the cooperation. However, knowing the ICT-industry possibilities and the knowledge of sustainability related topics within the Case Company it would be very fruitful to deepen the cooperation and join the forums where future trends are set.

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Supplier Self-Assessment Survey questions

Questionnaire	Question	Answer Type
Company information	When your company was established (year)?	Integer
Company information	What is the total number of employees?	Integer
Company information	Are there any legal disputes where your company or leading people within the company are involved?	YesNo
Company information	Please provide details about your company structure (parent company, affiliates, and groups) and about the ownership of the company. Indicate planned ownership changes, if any.	Text_multi
Company information	Please outline the locations of your offices/facilities.	Text_multi
General information	Have you adopted the following guidelines and principles?	Spacer_row
General information	The United Nation Global Compact principles?	Selection_single
General information	United Nations Universal Declaration of Human Rights	Selection_single
General information	the ILO Declaration on Fundamental Principles and Rights at Work	Selection_single
General information	the United Nations Convention against Corruption	Selection_single
General information	the Rio Declaration on Environment and Development	Selection_single
General information	the OECD Guidelines for Multinational Enterprises	Selection_single
Environment	Do you have an environmental policy in place? Please attach the policy if applicable.	Selection_single
Environment	Do you have a precautionary approach in order to minimize environmental impacts? Please describe your precautionary approach if applicable.	Selection_single
Environment	Do you have an Environmental Management System equivalent to the requirements in the ISO14001 or Eco-Management and Audit Scheme (EMAS) in place? Please attach the policy if applicable.	Selection_single

Environ- ment	Do you have an electronic waste recycling practices in place, ensuring the recycling without harming the environment and with respect to human rights? Please attach the policy if applicable.	Selec- tion_single
Human rights and labour condi- tions	Do you have the following policies and process in place?	Spacer_row
Human rights and labour condi- tions	Human rights and labour conditions policy? Please attach the policy if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process ensuring your employees (temporarily or permanently hired, or contracted) know, understand, respect and apply fundamental human rights? Please describe or attach the description of the process if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process ensuring that all employees shall be treated with equal respect and dignity? Please describe or attach the description of the process if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process ensuring that employees with the same qualifications, experience and performance have equal pay, in minimum total wage required by national applicable laws, for equal work with respect to their relevant comparators? Please describe or attach the description of the process if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process ensuring that the working hours and overtime are kept within local legal limits? Please describe or attach the description of the process if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process ensuring that all employees are provided with safe and healthy working conditions and environment? Please describe or attach the description of the process if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process ensuring that adequate steps to prevent accidents and injury to health are taken in order to minimizing the causes of hazards inherent in the working environment, and by providing appropriate safety equipment? Please describe or attach the description of the process if applicable.	Selec- tion_single
Human rights and labour condi- tions	A process preventing child labour or other forms of compulsory or forced labour? Please describe or attach the description of the process if applicable.	Selec- tion_single

Human rights and labour conditions	A process promoting the freedom of association, and allowing all employees to be a member of a trade union and to bargain collectively? Please describe or attach the description of the process if applicable.	Selection_single
Fair business and anti-corruption	Do you have the following policies and process in place?	Spacer_row
Fair business and anti-corruption	Fair business (including anti-corruption) policy? Please attach the policy if applicable.	Selection_single
Fair business and anti-corruption	A process ensuring that no abuse of power, nepotism or bribery (including improper offers of payments to or from employees or organizations) is tolerated? Please describe or attach the description of the process if applicable.	Selection_single
Fair business and anti-corruption	A process ensuring that gifts or similar benefits may only be offered to, or accepted from, a third party if modest in value and if consistent with reasonable hospitality given in the ordinary course of business? Please describe or attach the description of the process if applicable.	Selection_single
Fair business and anti-corruption	A process ensuring that all applicable national and international regulations aiming at preventing, detecting and remedying economic crime (fraud, extortion, money laundering and other related crimes) are abided? Please describe or attach the description of the process if applicable.	Selection_single
Fair business and anti-corruption	A process protecting information that may qualify as sensitive personal data, insider information of the Case Company, or other information the confidentiality of which is protected by law? Please describe or attach the description of the process if applicable.	Selection_single
Supply chain	Have you implemented a Code of Conduct for your suppliers? Please attach the Code of Conduct if applicable.	Selection_single
Supply chain	Is your Code of Conduct aligned with Supplier Code of Conduct?	Selection_single
Supply chain	Are all the parties in your supply chains back-to-back with the content of your Code of Conduct/Supplier Code of Conduct?	Selection_single
Supply chain	Have you included Corporate Responsibility aspect in your Sourcing/Procurement process? Please describe or attach the process if applicable.	Selection_single
Supply chain	Do you audit your suppliers on Corporate Responsibility aspects? Please describe or attach the process if applicable.	Selection_single
Supply chain	Do you evaluate Corporate Responsibility risks in your supply chain in a organized manner? Please describe or attach the process if applicable.	Selection_single

Strategy	Do you have a CR strategy? Please attach the strategy if applicable.	Selection_single
Strategy	Do you have a governance model for Corporate Responsibility? Please describe or attach if applicable.	Selection_single
Strategy	Do you engage with your customers and other stakeholders on CR and disseminate the results? Please describe and attach the process if applicable.	Selection_single
Strategy	What are your most important achievements in CR in 2013-2014?	Text_single
Strategy	What are your biggest risks and challenges in Corporate Responsibility area?	Text_single
Strategy	What are your focus areas in your Corporate Responsibility work during the upcoming years?	Text_single
Supplier Code of Conduct	Is your company compliant with the attached Supplier Code of Conduct?	YesNo